Paradise Home Care Cooperative

A Study in Struggle

ABSTRACT

Paradise Home Care has overcome numerous struggles and facing more challenges as it seeks to create meaningful work at decent pay while providing quality home care to residents of Hawai'i. The experience of this co-operative offers lessons to development of home care co-operatives that include the resiliency of the model to overcome challenges and the importance of operationalizing co-operative principles and values to achieve the mission of the organization.

Northwest Cooperative Development Center

Table of Contents

Executive summary

- Paradise Home Care Cooperative is in Hawai'i County, Hawai'i, and provides home care to seniors and people with disabilities on the Big Island. PHCC has 23 home care providers and two administrative staffers. The cooperative, although struggling financially, expects to grow with the increase in demand for home care.
- Home care remains one of the fastest growing businesses in the nation — the percentage of the population older than 65 and 80 will reach record levels in coming years.
- Delivering home care services to the Big Island of Hawai'i presents many challenges because of the rural setting, the lack of public transportation, and limited access to cellphone and Internet services.
- Paradise Home Care Cooperative organized as a worker cooperative of home care providers. A five-person board of directors consists entirely of cooperative members, sets policy and directs its implementation through a general manager.
- Certified nursing assistants working in home care in Hawai'i have difficulty renewing their certification because at least eight hours of work under the supervision of a registered nurse is required. That leads many home care workers to let their certification lapse.
- Assistance from the Cooperative Development Foundation and the Northwest Cooperative Development Center has been crucial to the survival of Paradise Home Care Cooperative.
- Without regular engagement of the employees, member ownership has not been emphasized at PHCC.
- Successful tactics:
    - Outreach to agencies to develop referrals;
    - Annual membership meeting;
    - Educating workers on benefits of membership
- Tactics that need adjustment:
    - Assisting workers with CNA recertification;
    - Building community among membership and potential members;
    - Connecting cooperative values with quality of service among clients;
    - Allowing caregivers to self-schedule with clients

Introduction

The challenges of delivering home care services to the elderly are many. Demand has increased with an aging population, and low wages and high turnover are endemic in the profession. Lower populations in rural areas make it difficult to recruit home care workers and distances between clients add to the costs of providing services. PHCC is determined to see whether the cooperative business model can offer solutions to the challenges facing home care.

PHCC is one of five home care cooperatives in the United States providing direct care to the elderly and people with disabilities. Founded in 2008, PHCC is owned and operated by its members and exists to create quality jobs for caregivers and certified nurse assistants while providing quality care for its clients. PHCC "is committed to developing a network of caregivers and 'ohana islandwide."[1]

Elder care, in general, and home care, specifically, is a rapidly growing business. Between 2010 and 2030, the number of U.S. residents older than 65 will double to 72.1 million. By 2050, they are expected to make up 21 percent of the U.S. population.[2] For the first time in U.S. history, people older than 65 will outnumber children younger than 5 years of age. And, because of medical advances and the increases in life expectancy, people 90 and over now constitute 4.7 percent of the older population (ages 65 and older) compared to 2.8 percent in 1980. As the population ages, the need for quality elder care increases. The Paraprofessional Healthcare Institute estimates that the current number of home care and personal assistant aides providing long-term services in homes and community-based settings to be about 2.5 million. According to PHI, to meet demands for elder care that number must grow to 5 million by 2020. Between 2008 and 2018, jobs

[1] http://paradisecoop.wix.com/homecare#!the-cooperative; http://paradisecoop.wix.com/homecare#!the-cooperative. 'ohana' is a pidgin word translating to "family".

[2] http://census.Hawai'i.gov/Census_2010/

in the home care business are expected to grow at a rate four to five times faster than jobs in the overall economy. [3]

PHCC set out not only to help meet the growing demands for elder care on the Big Island, but to create stable and secure jobs for the people who provide this important work. The story of PHCC is one of tenacity and good intentions, but also pitfalls and wrong turns. A look at the struggles, successes and continued operation of PHCC can provide insight into the challenge of nourishing a home care cooperative that delivers services to the elderly in a rural environment.

Background

The population of the Big Island is growing at a rate of one percent per year. According to the 2010 census, the island's population is 185,079, of which 16.8 percent are 65 years of age and older. The two largest cities on the island are Hilo, with a population of about 43,000, and Kailua-Kona with a population of just under 10,000 (the cities are about 80 miles apart). The rest of the population is spread out over the island in small towns and clusters of houses in remote areas.

The island of Hawai'i was, at one time, the center of the world's sugar production. Now the Big Island relies on tourism and cattle ranching for most of its economy. The personal per capita income for the Big Island is $26,194 and the unemployment rate as of September 2014 is 6.4 percent, compared to 4.4 percent statewide. [4] The cost of living in Hawaii is generally much higher than the national average.[5] Roughly 17 percent of the island's population lives below the poverty line.[6] The need for consistent, good paying jobs is high.

The island is 4,028 square miles, much of it rural and a large portion of it uninhabitable. This creates a challenge for home care workers who must travel significant distances to get to their clients in more remote sections of the island. The

[3] Paraprofessional Health Institute, http://phinational.org/growing-demand-direct-care-workers
[4] http://www.bls.gov/web/laus/laumstrk.htm
[5] http://www.payscale.com/cost-of-living-calculator/Hawaii-Honolulu
[6] http://census.Hawai'i.gov/Census_2010/

higher price of gasoline on the island[7] makes the filling of shorter shifts difficult because those shifts are not cost-effective. Public transportation is limited. Cellphone reception is spotty in some areas, making communication difficult. A unique aspect of the islands geography are the active volcanos. At the time of this study, the Kilauea volcano has been spewing lava into a steady flow across parts of the island which has threatened to cut-off caregivers from their clients[8]. The effect those difficulties has on home care is considerable. It is rare that a shift can be filled on a last-minute basis when it is hard to reach a caregiver by phone and when a caregiver would have to travel far.

The island of Hawai'i is culturally and linguistically diverse. (See Table 1) Language and cultural barriers create challenges for home care workers and the agencies that place them. Many newer immigrants to Hawai'i are from Micronesia and have become Hawai'i's newest underclass. Nationwide, nearly 24 percent of direct care workers are foreign-born.[9] That percentage is much higher on the Big Island. At PHCC, foreign-born caregivers make up 35 percent of PHCC workers.

Hawai'ian	10.0%
Caucasian	24.7%
Chinese	4.0%
Filipino	14.5%
Hispanic	8.9%
Japanese	13.6%
Other Race or Multiple Races	24.3%

Table 1: Ethnicities of Hawai'i (source: 2010 US Census)[10]

Paradise Home Care

Before PHCC opened, no locally owned home care agencies were on the island. Home care was delivered by franchise agencies, larger chain agencies or by independent

[7] http://www.usatoday.com/story/money/personalfinance/2014/07/27/states-gas-prices/13171029/

[8] http://hvo.wr.usgs.gov/activity/kilaueastatus.php

[9] Paraprofessional Health Institute, February, 2014. http://phinational.org/direct-care-workers-glance

[10] http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk

care providers. Franchise or chain agencies with offices on the mainland have little connection to the community they are serving and draw wealth out of the Hawai'ian economy. Those organizations engage the workers as independent contractors rather than employees. While the care providers can demand a living wage, they have the responsibility for their own insurance and taxes. Independent care providers often don't have staff to provide backup for vacations or sick time. As the only locally owned home care agency on the Big Island, PHCC fills a void in the marketplace for home care that it should be able to use to create a marketing advantage.

PHCC operates on the Big Island of Hawai'i with a focus on the eastern part of the island. The coop provides a variety of services from chore services (cleaning, companionship, and light duties) to personal care (nursing functions) to transportation. The cooperative currently has 23 number of employees of which 6 are member owners. Workers are not required to join the cooperative, but receive increased compensation, the right to participate in the cooperative's governance and a share of any patronage refunds.

PHCC Snapshot	
Year Started	Organizing began in 2004 Incorporated in 2008 Operations began in 2010
Type of Business	Home Care Worker Cooperative
Membership	Six worker-owners and seventeen employees $212 membership equity payment
Coop Governance Structure	A five-member board with a ¾ FTE general manager and a full-time office manager. The board sets all rules and regulations (policy), which the general manager implements.
Revenues	$173,729.76 in 2013 $27,449.64 net income in 2013
Wages and Benefits[11]	$12.50 an hour for member employees $11.50 for non-member employees

A five member board oversees an executive manager. The executive manager oversees the daily operations, marketing and financial management of the cooperative.

[11] Under Hawai'i law, workers are eligible for health insurance once they have worked for twenty or more hours for four consecutive weeks. At this point only the general manager and office manager have met this criteria.

PHCC relies mostly on referrals from health care providers, social service agencies and family members of clients. PHCC charges rates competitive for its market place. Rates vary based on the contract of the organization providing the reimbursement or if the client is paying out-of-pocket (see table 1). These rates vary due to the nature of the work (chore vs. personal care).

Referrals provide the key access to new customers. "Client referrals come from the insurance companies or Services for Seniors themselves. They call us and say they have a client in a certain area and see if we have people who can cover." noted Suzanne Braley[12]. Medicaid covers a great deal of the cost, but Services for Seniors finds grant funding and allocates funds among their clients. The rates charged to the agencies are based on contracts between PHCC and the agencies while the PHCC board of directors determines private pay rates.

Workers receive different rates of pay based on the type of job and whether they are members. The nature of the payment (Medicaid, private pay or grants) has no impact on the hourly rate. After a 90 day probationary period, workers receive a $1.00 per hour raise. Workers who choose to join the co-operative receive an additional dollar raise, but must also make an equity payment of $212 which can be spread out through a fifty cent payroll retention over 424 hours.

Service/ Reimburser	Services for Seniors	United Health Care	Ohana Cara	Private Pay
Chore Services*	$ 22.50	$ 24.72	$ 18.00	$ 23.00
Heavy Chore Services	$ 22.50			$23.00
Personal Care	$ 25.50	$ 24.00	$ 24.00	$ 25.00
Assisted Transportation	$ 23.00			$23.00
Mileage	$0.565/mile			$0.75/mile
Money Management	$45/session			
***Ohana Care and United Health Care bill in 15 minute increments**				

Table 1: Reimbursement Rates for service by payer (source: PHCC)

[12] Email exchange with Suzanne Braley, Office Manager Paradise Home Care Cooperative on January 6, 2015

The start-up phase

In 2004, the USDA Rural Home Care Cooperative Demonstration Program set out to test the question, "Is a home care cooperative right for the people of east Hawai'i County?" Funded by the 2004 Rural Cooperative Development Grant, the Big Island Task Force was formed, consisting of members from the Hilo Medical Center, the County Office of Aging and Services for Seniors, a nonprofit senior resource. With the help of Tim O'Connell of USDA Rural Development's state office in Hawai'i, the task force drew up a plan for establishing Hawai'i's first home care cooperative.

Early Co-op founders: Lindy Pounds, Jerry Reiss and Kimberley Schorr

To start assessing the interest in developing a home care cooperative, the Big Island Task Force organized community meetings in several areas of the island to bring together caregivers, CNAs, other health care workers and the community. Notices were posted in newspapers and community bulletin boards, and local nonprofits related to health care and the elderly were contacted. The meetings attempted to draw together caregivers and those concerned about elder care to see how home care delivered through a cooperative business model could benefit the community. It was a posting in a local free newspaper for one of those meetings that caught the eye of Kimberly Schorr, a

registered nurse who recently moved to the island. Because the meeting was close to her home and because it was health care related, Kimberley attended. That meeting launched Kimberley's seven-year affiliation with PHCC.

In 2006, after months of meetings and with the grant money exhausted, the members of the Big Island Task Force moved on to other projects. Interest remained among caregivers across the island in starting a home care co-operative, but the logistics involved in meeting and organizing it made consistent participation a challenge. There are stages in the development of a cooperative when interest wanes and progress stalls. Maybe the project is blocked by a financial challenge, maybe there's turnover among organizers or perhaps a conflict in the group holds up the project. Those times are when champions emerge — those people who champion the co-op cause and have the energy to keep momentum going even when progress gets stalled.

Kimberley was certainly an early champion for PHCC. As Kimberley is quick to point out, she was not the only one: certified nursing assistants Lindy Pounds, Margaret Dohanos and Saithorn Heffron were just a few others who contributed to the work of making phone calls, sending emails, hanging fliers and attending many meetings. [13] It is the work of this early group that kept the idea of establishing Hawai'i's first home care cooperative alive.

[13] Interview with Kimberley Schorr, Aug. 31, 2014

An early SpeakOut event in Hawai'i

In late 2007, this group became a steering committee and began working with the Northwest Cooperative Development Center in Olympia, Washington, to get their co-op off the ground and in operation. Cooperative Development Foundation's MSC Fund made a $23,240 grant to the NWCDC to help the co-op create a business plan, develop internal leadership and fund an innovative community engagement in the form of a series of interactive town meetings that involved seniors, their families and current caregivers. This model of community engagement and social planning, developed by Wendy Sarkissian, is called a "SpeakOut[14]." A SpeakOut combines some elements of a meeting with some elements of an exhibition or open house. "Issue Stalls" are set up to provide participants with the place and time to give opinions and advise on topics. PHCC members were trained as listeners and recorders to capture ideas and encourage participation. The SpeakOut format aligns well with the Hawai'ian tradition of talk story, which is the term given to ancient Hawai'ians' fully oral culture where stories, songs and moral teachings were passed down from generation to generation.

NWCDC staff also helped PHCC secure insurance for the business and helped complete applications for the health service vendors who would be supplying the referrals for clients. In 2008, PHCC filed its articles of incorporation, obtained its business license and declared itself open for business. The steering committee became the board of directors and Paradise Home Care Cooperative was born.

[14] http://www.sarkissian.com.au/publications/earthscan-community-engagement-publications-by-wendy-sarkissian-phd/speakout/origins-speakout-model/#sthash.8Ci7H5yA.dpbs

Early success

After struggling to organize and schedule CNAs and run the daily business of the co-op, the board hired a manager — a registered nurse with supervisory experience — in early 2010. The manager, who in her brief time organized client files and created systems for client intakes, became overwhelmed by the business aspect of the co-op and left after a few months. The board then determined that a manager with a background in business, rather than medicine, would better meet the needs of their co-op. In June 2010, with the help of NWCDC, the board interviewed and hired their first executive manager. The new manager put her business experience to work and set up necessary office systems and brought needed structure to the co-op.

Through 2010 and 2011, referrals slowly increased and PHCC hired additional CNAs. At one point in 2011, PHCC employed 25 home care workers and, even though the majority were part time, a handful of workers were getting consistent full-time hours. By 2011, revenue was up and PHCC enjoyed a profitable year, ending with a small surplus. It appeared PHCC was on the path to success.

Challenges

In 2012, PHCC experienced a sudden and steady decrease[15] in referrals. Revenue went down and because of the drop in work hours, several employees left the co-op. The PHCC board requested that the NWCDC conduct a management and operations review to understand the decline and to help with the continued growth and improvement of its business. The review team was made up of NWCDC staff and Tracy Dudzinski, board president and care coordinator of Cooperative Care in Wautoma, Wisconsin, and Melanie Bondera, rural cooperative development specialist for the Laulima Center for rural business development in Hawai'i. The team conducted the review through three major tasks:

1. Reviewed and assessed policies, procedures, job descriptions, bylaws and structural documents, board minutes, financial statements and other key documentation.

[15] The relationship between referring agencies and PHCC staff failed to inspire confidence in the staff of the agencies making the referrals.

2. Reviewed office processes with the general manager. Reviewed four weeks of time tracking by the general manager.
3. Conducted private and confidential interviews with stakeholders: the general manager, board directors, employees, the referring agencies and accountant. [16]

The review resulted in a comprehensive analysis of the cooperative's strengths and weaknesses and a detailed roadmap for making changes to get the business back on track. Through interviews with referral agencies, NWCDC found a perceived a lack professionalism on the part of the Executive Manager had led to the decline in referrals. The review made recommendations for changes in the structure of PHCC. The Executive Manager position remained but instead of being all-inclusive, two other positions were created to help provide focus and energy to specific areas:

1. 0.5 FTE Team Leader (to be staffed by a registered nurse) whose duties included assigning and scheduling workers, conduct client assessment, monitor quality of care, and manage referrals.
2. A 0.75 FTE Outreach position (marketing manager) would focus on liaison with clients, social workers and referring agencies, oversee advertising, member-owner recruitment, and outreach.
3. The Executive Manager would oversee operations as a 1.0 FTE including oversight of the Team Leader position, payroll, personnel files, and financial management and provide administrative support.

The outreach position reported directly to the board and planned to be staffed by the president of the co-operative. NWCDC staff worked with the marketing manager to develop a marketing calendar and marketing material. In addition to changing the delegation of duties, which effectively removed the Executive Manager from interacting with clients and agencies, the committee also recommended that the cooperative find office space rather than use the Executive Manager's home for storing documents conducting business.

Continued fall-out from a negative reputation among agency staff brought a further decrease in referrals and with it a drop in revenue in 2013. It became clear the co-

[16] PHCC Management Systems and Operational Review, NWCDC August 2012

op could not support the additional positions. The salaried registered nurse returned to a contracted position, used only as needed for initial client assessments. The board eliminated the marketing manager position. Relationships with referral agencies had further soured and dissatisfaction in the workplace grew. From 2012 to 2013, revenue fell by 39 percent from the previous year. Without enough work, experienced CNAs left PHCC in search of steadier work. The PHCC board of directors and NWCDC urged the executive manager to implement the suggested changes to delegation of duties that were suggested to improve relationships with co-op members and with referral sources. That suggestion was met with resistance. One suggestion that was implemented was moving the office headquarters out of the executive manager's house and into an office space. At the end of 2013, PHCC secured office space in downtown Hilo and for the first time had a space for all staff to meet[17]. It was at this time that the executive manager resigned from PHCC. The PHCC board president stepped in to fill the management gap and hired an administrative assistant to help with billing and payroll. At the beginning of 2014, PHCC once again found themselves starting over.

Pitfalls and wrong turns

It is impossible to point to one major cause of the near demise of PHCC. However, three central issues emerge as perhaps the most significant: The state of home care in Hawai'i, a tarnished professional image and a disengaged membership.

Home care in Hawai'i

A problem facing all home care CNAs in Hawai'i has to do with recertification. The state requires that CNSs spend eight hours working under the supervision of a registered nurse every two years. CNAs working in hospital settings or skilled nursing facilities can easily get the eight hours supervised work time to meet the minimum requirement for recertification every two years. However, hours worked by home care CNAs, in the privacy of the client's home, do not apply toward this requirement. This leaves home care workers with a dilemma: "Do I let my certification lapse or do I try to

[17] Prior to this meeting space was created on an ad-hoc basis based on the needs of the people required to be present. In the case of larger membership meeting space would be acquired through the library or rented as needed.

get hired in a facility, work eight hours — just enough for recertification — and then return to my home care job?" Either option creates job insecurity. PHCC had originally positioned itself to be the only home care agency on the island staffed completely by certified nurse assistants but the reality of the certification process and the state of Hawai'i's inability to address this issue have made that impossible. Like other home care agencies on the island, PHCC hires caregivers with less professional training for chore work and struggles to find CNAs to take the clients requiring personal care. PHCC has considered partnering with a care home that has appropriate staff and would qualify for the recertification requirements but has not found a willing partner. The state does not require certification to perform the work; as a result, PHCC will use staff who have lapsed certification or who have undergone the training but not taken the test. The main difference arises from PHCC's marketing efforts in that they cannot commit to providing "certified" nursing assistants.[18]

Professional image

PHCC took a wrong turn when the decision was made to let CNAs make their own schedules with clients. Prior to 2010, the executive manager took all referrals, whether coming by phone or by fax, then matched the client with a qualified caregiver and scheduled the CNA's hours. In 2011, the executive manager gave the scheduling over to the CNAs. When a referral came in, the manager would contact a CNA in the area with the client's information. It would be up to the CNA to then contact the client and arrange a schedule. The process lacked oversight. CNAs made schedules that worked for them, sometimes sacrificing potential PHCC work hours for their personal time constraints. CNAs didn't check with co-workers to schedule replacements. Clients began to feel they had hired an individual caregiver and not an agency they could rely on to provide consistent service. This in turn began to create a poor professional image in the eyes of the referral agencies. Today, PHCC management oversees the scheduling of clients through direct contact with clients and caregivers and is working to turn that image around. This process involves considering the needs and location of the client along with the availability of workers to find the best fit. The office manager calls

[18] Email exchange with Suzanne Braley, Office Manager, Paradise Home Care Cooperative on January 14, 2015.

member-owners first then non-members and the job is assigned to whomever accepts it first. The office manager tracks predicted hours for each job and updates semi-monthly with actual hours from time sheets turned in by the workers. If there is reason to believe that a timesheet is not accurate (such as a client complaint), then the manager will speak with the worker.

Lack of member engagement

While the early participants in PHCC were strongly focused on promoting the cooperative business model, that focus strayed. As the turnover rate at PHCC rose, older members were replaced by new employees thrown into work with no education in what it means to be a cooperative member. Without on-going member education and member involvement, membership numbers fell. By the end of 2013, PHCC had only three members out of the 16 caregivers employed, although all caregivers may join the cooperative (members receive higher pay and first choice at hours). Although the board, made up entirely of member-owners, was active in fulfilling its basic duties and conducted regular board meetings, it had almost no communication with co-op employees. The board did not communicate planning or decisions to members. Home care is already an industry where caregivers have little interaction with supervisors or co-workers. Home care workers can often feel isolated from each other and from their employer. This became very true of PHCC — little was done to engage the workers in the business. Because caregivers worked on their own with clients and had little input from the PHCC manager or board, faxing timesheets to the PHCC manager became the employee's primary interaction with the PHCC. Additional interaction comes in the form of the cooperative's annual membership meeting which is combined with training. However, the size of the island makes regular trips into the office difficult for workers. There are plans to add additional trainings throughout the year.

Financial analysis

Home care organizations operate by providing a service in which the primary work force only gets paid when providing home care. If there isn't a client, there isn't a wage. The industry is labor intensive and generally requires little in the way of fixed assets other

than basic office equipment and furniture for administrative staff. The labor of the home care workers is essentially a "cost of goods sold." This dynamic can make it difficult to use traditional ratios used to consider the health of organizations if they depend too much on debt-capital such as the "current ratio," which is a measure of the current assets over the current liabilities. However, financial ratios are important to understanding the overall health of any organization. In consideration of PHCC, four years of financial data were analyzed with regards to income, safety, profitability and efficiency.

Income

PHCC, like most home care organizations, tends toward a high level of liquidity. As a result of the relationship of wages to earnings, as sales drops, most expenses drop in proportion. This allows the cooperative to function through lean times. The current ratio and quick ratio (the amount of cash available to cover immediate expenses) remains quite strong despite a dip in 2012 — numbers over 2.0 are generally considered good.

Liquidity	**2010**	**2011**	**2012**	**2013**
Current Ratio	198.77	104.30	9.36	307.48
Quick Ratio	128.74	76.68	2.96	253.77

A look at the basic defense interval shows a strong cash position, too. This interval essentially shows how many days the organization can function without sales. This would be the number of days that the cooperative could meet operating expenses (including administration wages) to fix the problems. PHCC has generally had about a year cushion, but that changed in 2013. The lower threshold should be a warning sign that the cooperative has dropped sales to the point that it is not covering operating expenses. The chart shows a comparison between PHCC and Circle of Life Care Cooperative in Bellingham, Washington, to provide a sense of how PHCC operates within its industry.

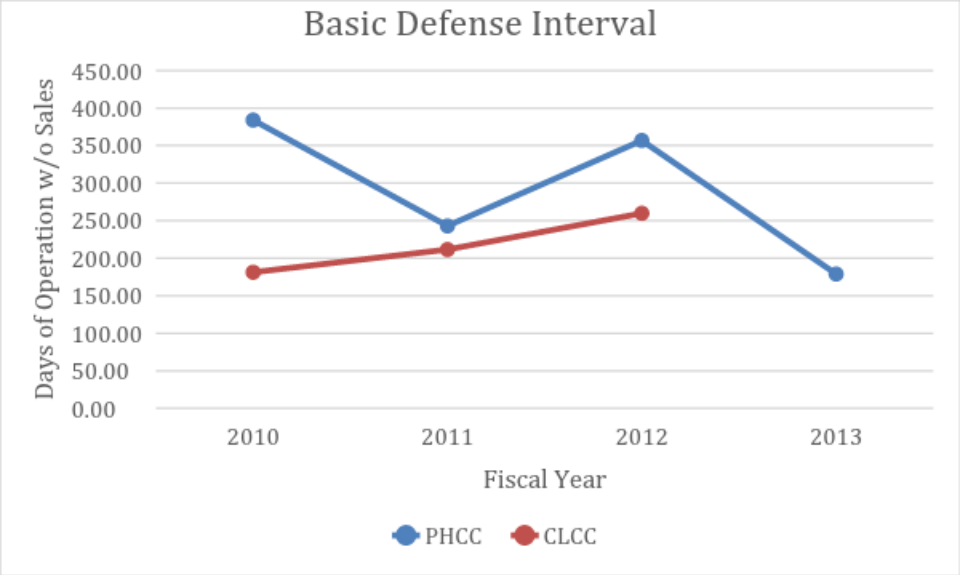

Figure 1: Source financial statements of PHCC and CLCC

Safety

Safety ratios consider the relative health of the organization from the standpoint of the security of the assets and equity. A common ratio is the debt-equity ratio. A healthy organization needs to keep this ratio within a reasonable range. Loan officers generally resist providing a hard number, but a ratio in the neighborhood of 2.0 is considered healthy, which means the organization has enough equity to cover its debts. Ratios in excess of 4.0 suggest that an organization is too leveraged while ratios under 1.0 mean assets are not being used to their full advantage. The fixed asset to net worth ratio provides a measure of solvency of the organization. In the case of PHCC, the cooperative has few fixed assets and even fewer liabilities. This results in a solvent organization.

Safety Ratios	**2010**	**2011**	**2012**	**2013**
Debt to Equity Ratio	-6.96	6.36	1.38	1.94
Fixed Assets to Net Worth	-0.30	0.15	0.02	0.01

Profitability

This is the weakest area for PHCC. The cooperative had some success, but since the beginning of 2013 it has seen a dramatic drop in sales and profitability. The cooperative

does not have cash reserves to maintain a sustained period of losses, so this creates a real weakness for the cooperative that needs to be addressed as soon as possible.

Profitability Ratios	**2010**	**2011**	**2012**	**2013**
Sales Growth	0.00	264%	44%	-36%
Gross Profit Margin	57%	50%	55%	50%
Net Profit Margin	-15%	8%	15%	-16%
Return on Equity (ROE)	1.12	1.94	1.06	-1.43

Efficiency

These statistics highlight how hard the cooperative works to make its sales. Specifically, it considers the direct expense of sales (caregiver wages), total labor expense as a percentage of sales and finally total assets to sales.

PHCC's wages, as a percentage of sales, have fluctuated wildly. The cooperative needs to increase revenue to regain profitability and to create a larger gap between the amount earned and how much is spent on labor. This would free resources for marketing and training, two expenses that will help increase the cooperative to a point that non-caregivers will be used efficiently to maintain the organization. In comparing the labor expense to sales index with the profit margin index, one can see a clear correlation between the percentage of sales spent on administration and profitability. Sales need to return to 2012 levels to keep the current administration structure intact.

Efficiency	**2010**	**2011**	**2012**	**2013**
Labor Expense/Sales	81%	68%	64%	82%
Caregiver Expense/Sales	44%	51%	49%	52%
Total Assets to Sales	1.26	3.10	2.59	3.06

PHCC's financial condition suffers mainly from a lack of income. If the cooperative can rebuild its market and attract dedicated worker-owners, there doesn't seem to be any reason that it cannot return to profitability. With the exception of profitability, the financial ratios suggest an organization with a fair amount of resiliency. The main economic threat to the organization results from its ability to repay the loan to NWCDC (and drafter of this report). NWCDC has made efforts to assist PHCC in making the necessary improvements and has shown patience with regards to the note that

it holds. Whether (and how) it can rebuild a customer base and attract quality care givers will determine the long-term fate of the cooperative.

The cooperative difference

Home care cooperatives offer some distinct advantages in addressing some of the common problems facing home care. One of the biggest challenges for home care across the country is building the stable workforce necessary to provide quality care. Recruitment of home care workers is difficult when wages are low and benefits are virtually nonexistent. Turnover rates of 50 percent to 60 percent, with some as high as 80 percent,[19] create impossible conditions for continuity of care. One way that cooperatives can address the issue of turnover is through member ownership.

Membership

PHCC's bylaws do not require all employees to become members but, at the end of a 90-day trial period, employees in good standing have the opportunity to become a member-owner. A $212 fee that can be paid in a lump sum or through payroll deductions of 50 cents for every hour worked is the investment made by new members. Members receive a one dollar raise in pay over non-members[20] and have first choice in shifts that become available. From their first payment of 50 cents, members assume all the rights, responsibilities and benefits of membership. Even with the incentive of increased wages, member numbers fell from 2012 to 2014. At the beginning of 2014, PHCC management staff set out to change the co-op's trajectory. With the help of NWCDC staff, PHCC had member recruitment meetings with employees. As managers took the time to explain cooperative values and member benefits, membership numbers increased.

Member ownership can have a profound effect on home care worker retention. When member education programs are in place and when members know how to

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[19] Paraprofessional Health Institute, http://phinational.org/growing-demand-direct-care-workers

[20] The financials for wages in this case work in that it shouldn't be seen as the worker-owners getting a raise as much as non-owners get paid less than they normally would. The increase is built in as an incentive and fifty cents is retained towards the equity payment ($212). The cooperative sets billing rates upon the assumption that workers will join the cooperative.

participate in the co-op, they are far more likely to experience job satisfaction and stay with their co-op. A look at the turnover rate at two other home care cooperatives — Circle of Life Caregiver Cooperative in Bellingham, Washington, and Cooperative Care of Wautoma, Wisconsin — show their turnover rates to be far below the overall industry turnover rates:

Turnover Rates in Home Care 2014	
Home Care Industry	60 – 70 %
Cooperative Care	35 %
Circle of Life Caregiver Cooperative	10.3 %

According to PHCC Manager Jody Adams, PHCC is working to create a membership orientation and will devote labor hours to educating every PHCC employee on the cooperative business model, the benefits of membership and on how each member can contribute to their co-op.

Governance

Another critical aspect of membership is the election of the board of directors. Members have the right and the responsibility to elect a board of directors to represent the workers and the cooperative in the best way possible. For several years, the PHCC board was composed of the same three members who met their minimum obligations as directors but did not participate actively in the development of the cooperative. The PHCC board was passive while the PHCC executive manager and co-op developers ran their business for them. Looking to turn this around, PHCC had their first member meeting to educate members on the role of the board and to recruit new members. The efforts were successful and PHCC now has a board of five directors. Perhaps more importantly, PHCC's new board has a gender and ethnic diversity that is more representative of their membership. Board members understand, in a way they did not before, that they have a responsibility for self-perpetuation. Not only is their responsibility to represent their members, but they need to ensure they all have the training they need to do the job. PHCC recently sought further assistance from the Laulima Center, the cooperative development center on the Big Island, for professional

board training. The board is actively looking for ways to keep members informed and engaged.

"We have to make sure we are laying the ground work for the next board of directors and for those that come after that," PHCC board member Donna Sutherland said. [21]

Community connections

One of the seven International Cooperative Principles, "Concern for Community," posits that the nature of a cooperative business ensures that what is good for the cooperative is good for the community. Because the members of the cooperative live and work in the community where their co-op operates, they are likely to act in the best interest of their community in business decisions. Cooperatives tend to create long-term stable jobs and operate under sustainable business practices. PHCC members make about $2 more an hour than workers at other home care agencies on the Big Island. Wages made by members stay in the community and thus benefit more than just the member owners. And PHCC is forging connections outside the co-op with other groups on the island. In her role as PHCC board president, Jody works with the Ka'u Rural Health Community Association to help address the health needs in the rural southern district of Ka'u. At a recent LGBT pride festival, PHCC was the only home care agency in attendance and provided an information table addressing the aging needs of the island's LGBT community.

"We have to make sure we are laying the ground work for the next board of directors and for those that come after that."

Donna Sutherland, PHCC board member

Conclusion

[21] Interview with Donna Sutherland, Aug. 30, 2014.

Today, six years after opening for business, PHCC still feels much like a startup. And, in many ways it is. Today, PHCC has a dedicated but inexperienced management staff and still struggles to find a consistent and qualified workforce. Board President Adams has been with PHCC since 2010, first as a CNA, then as marketing coordinator and currently serves as acting general manager. In spite of all the challenges and changes, Jody believes the co-op will survive and grow into its mission.

> "I think we are on the right track, and if we stick to it and don't give up, this co-op will be successful."
>
> Board President Jody Adams

"Paradise Home Care is a growing business, we have had our ups and downs, but thankfully after every down there has been an up. I believe the more word gets around the more ups we will have. PHCC is getting more private-pay clients and that is exactly where we need to go. I think we are on the right track, and if we stick to it and don't give up, this co-op will be successful."[22]

A few very recent victories have Jody feeling hopeful. PHCC recently qualified for a contract with Hawai'i Medical Service Association, the largest insurance company in Hawai'i, which is just entering the home care field. This contract has the potential to increase referrals.

"And, all of a sudden, we've gotten more clients in the private-pay category. Every little bit counts," Jody said.[23]

Recent hire Suzanne Braley, taking on an administrative support role, will add to PHCC's efficiency and improve its professionalism. The board of directors now has five members to help Jody and Suzanne champion the co-op cause. As PHCC once again regroups and restructures, the focus is on increasing the workforce, improving relations with referral sources and engaging the membership.

[22] Interview with Jody Adams, Aug. 8, 2014
[23] Interview with Jody Adams, Aug. 8, 2014