



Elder Options, Inc.

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Looking for Care: Deciding Between Hiring Privately vs. an Agency

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Rebecca is a full-time working mother of 3 teens. Trying to juggle it all, Rebecca is traveling three hours, one way, to assist her aging parents who adamantly want to remain in their home. However, she is exhausted. Rebecca feels that she is under performing at work and is not fully present with her children. After missing her oldest daughter's playoff basketball game, she made the decision to discuss care options with her parents.

When researching options, she found websites that listed caregivers, whom she could hire privately, as well as agencies some of whom had employees and others that listed independent contractors. The price difference amongst the three was substantial. So, how was she to choose?

Let's first start with the independent contractors that are listed on both professionally run websites as well as local social media community pages. The thought of hiring independently may be appealing because of the lower cost. However, it also comes with quite a few risks to include:

- 1) By hiring an independent contractor, the individual consumer and their family take on the responsibility of the employer. This includes:
 - a. Minimum wage & overtime requirements
 - b. Payroll taxes & workers compensation
 - c. Unemployment insurance & liability.
 - d. Direct payment if the employee is injured at the residence
 - e. Paying for unemployment should the independent contractor no longer be required
 - f. Required sick time

Some may surpass these employer regulations and pay the contractor under the table. However, this can put the clients/families at risk of litigation. For example, Rebecca hires Suzy from a well-known website that provides local caregivers. When reading Suzy's profile, it sounds like she will be a great fit. She used to work in memory care, is background checked, and can drive her parents to appointments. Rebecca sets up a schedule and Suzy gets started. Two weeks later, Suzy trips on the area rug and falls. She suffers a sprained ankle and requires physical therapy. Suzy submits all her medical bills to Rebecca and files for a disability claim with EDD. Even though Suzy is receiving payment under the table, Rebecca and her parents are responsible for paying Suzy's medical expenses as well as her disability payments. They are also facing an investigation by EDD since wages were not reported.

So, let's look at another example for Suzy, the independent contractor. A week after Suzy started, Rebecca received a call from her mom. She suspected that Suzy stole her diamond tennis bracelet. Rebecca promptly makes a trip to her parents when Suzy is on duty. Suzy denies that she stole the bracelet but, her mom states that she noticed her going through the jewelry cabinet. Rebecca decides to terminate Suzy and file a police report. Two weeks later, Rebecca receives a notice from EDD for an unemployment claim.

According to the Employment Development Department paying wages "under the table" is illegal. "This practice may result in a large unplanned liability, including substantial penalty and interest charges for failing to comply with reporting requirements. You could also face criminal prosecution" (EDD, 2022).

So, now let's assume that Rebecca has evaluated hiring privately but, decided to start looking for an agency with employees who can provide the care. *It is important to note-some agencies utilize independent contractors so, it is imperative to ensure the employees are "true employees".*

Starting the process Rebecca has some questions. The cost is much higher than hiring "under the table" and she would like to understand what goes into an employee wage and in turn, why she is being billed the rate she is.

- 1) Working with an organization who has employees means the agency is responsible for payroll taxes, workers compensation, unemployment insurance and liability. For example,
 - a. Payroll taxes add 15.3% to an employee's wage.
 - b. In regards to workers compensation, the caregiving industry has one of the highest related insurance costs. Rates can be as much as 9% .
- 2) Besides taxes and insurance,
 - a. Sick Time-California law requires employers to provide 24 hours or 3 days (whichever is greater) of annual sick time per year.
 - b. Health Insurance-Under the ACA employers with more than 50 full-time employees or equivalents must provide health insurance to their employees.
 - c. Retirement Planning- California Law states that employers with over 5 employees must be offering retirement plans to all workers.
 - d. Paid Training- California state law requires that caregivers receive 5 hours of initial training and 5 hours annually.
 - e. Wage & Overtime Requirements-Currently, California's minimum wage is set at \$15 per hour. Regulations regarding overtime are also applicable to caregivers. Note-Most organizations starting wage is higher than minimum wage.
- 3) Outside of the mandated requirements, well-established organizations that acknowledge the true value of their workforce also provide:
 - a. Dental, Vision, Chiropractic-The addition of these benefits allows for a fully, well rounded health plan.
 - b. Paid Time Off-As the most valuable and hard-working staff, caregivers need time to take care of themselves as well.
 - c. Progressive Pay Ladder-Which honors those hard-working employees who continue to provide consistent levels of care.
 - d. Profit Sharing-To include matching 401K, bonuses, and incentive programs.
 - e. Mileage Reimbursement-To include commute and errand.
 - f. Personal and professional support to ensure the caregivers are well taken care of so, that they may take care of others.
- 4) Often, some may forget about those behind-the-scenes professionals who are staffing the requested shifts, running payroll, billing providers/client families, answering the phones, monitoring the care, handling questions/concerns, and running the day-to-day operations of the company. As the caregivers are the eyes and ears on the ground, the admin/management team is the glue that holds it all together.

Overall, on the surface, the independent contractor looks like the most affordable option. However, it can be the costliest. To ensure you are meeting all state and federal regulations, and truly providing the best care for yourself or loved one, an agency will be your best bet.

Liz Heape-Caldwell is the Chief Operating Officer and a Certified Care Manager with Elder Options, Inc. Liz graduated with a bachelor's in health care management with an emphasis in Gerontology. She also has a Master's in Business Administration. Liz is also certified through the National Association of Certified Care Managers and is an active member of the Aging Life Care Association, participating on the Western Regional Board.