

**Testimony of Tatia Cooper**

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**House Committee on Small Business**

**Hearing on “Empowering Employee-Owned Businesses and  
Cooperatives Through Access to Capital”**

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A worker-owned company

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Chairwoman Velazquez, Ranking Member Luetkemeyer and members of the committee, thank you for the opportunity to speak today to share Home Care Associates' story and discuss the need to address access to capital challenges for cooperative businesses.

Cooperatives exist and thrive across all sectors of our economy. Worker cooperatives, like Home Care Associates, are small businesses that are owned, controlled, and governed by the employees. There are fewer than 500 worker cooperatives in the United States. Lack of access to capital—and importantly, lack of access to U.S. Small Business Administration loan guarantees—is a central reason for there being so few of these businesses. Home Care Associates (HCA) is a Home Care cooperative located in Philadelphia, Pennsylvania. We currently employ 124 FTE and 12 PTE. Although the past few years have been extremely difficult, our worker-owners are looking forward to celebrating our 30<sup>th</sup> anniversary in this industry in 2022.

Discussion of starting a worker co-op in Philadelphia began in 1990. The founders of a larger cooperative established in 1985, Cooperative Home Care Associates (CHCA), located in the Bronx, NY set out to find money to replicate the model elsewhere in the United States. Philadelphia made sense, at the time, because of its large population of older and disabled citizens in need of quality Home Care and because of the number of individuals, living in poverty, in need of a quality job.

Like CHCA, our mission is:

1. To provide reliable, high quality home care services for those who are elderly, chronically ill, or living with disabilities;
2. To provide a quality job that includes a living wage, benefits and paid time off while building a profitable worker-owned company;

3. To give workers opportunities to learn and grow as members of the health care team.

At its inception, because of the cooperative structure, HCA was not eligible to receive start up support from the U.S. Small Business Administration, like many other cooperative small businesses. The challenge of raising capital to begin business was enormous. Thanks to the support of others who believed in the mission such as The Paraprofessional Healthcare Institute, individual philanthropist, charitable trust, and foundations, HCA was able to secure the capital needed to open its doors in 1992. However, many other home care cooperatives have not had this opportunity from charitable foundations and have struggled enormously to raise the capital needed to start this in-demand business.

One year after the start of business, HCA established two different classes of stock. Class A shares, held by investors in the business and class B shares, held by HCA workers. In 2019, all class A shares were donated to the company making HCA 100% worker owned.

Workers-owners buy a share of the company for \$500. Most of our owners do not have \$500 of disposable income. The purchase of the share is made with a \$35.00 deposit and a payroll deduction of \$3 per week. Upon making the deposit, each owner has one vote, can campaign for a seat on the Board of Directors and is eligible to receive a financial share when the company is profitable.

Raising startup capital was the first of many challenges HCA would face. 80% of the Consumers we serve are nursing home and Medicaid eligible, while more than 75% of our workers/caregivers also remain eligible for Medicaid. We rely on reimbursement from Medicaid to cover cost associated with training and employment.

Unlike many non-cooperative businesses in this industry, HCA provides an extensive training on topics we believe are necessary to providing quality care. Examples of technical and soft skills topics include emergency preparedness, safely lifting and transferring, assessing home and environmental safety, first aid including CPR, diversity, problem solving and care coordination.

In our efforts to provide a quality job, HCA remains committed to the goal of applying 70% of its revenue to worker salaries and benefits. Although we remain true to this goal, many of our workers and their families continue to live below 150% of federal poverty levels. This low wage translates to caregivers who are also eligible for Medicaid. This reality is not unique to home care cooperative. According to PHI, a national research non-profit, one in every six home care workers in the United States lives in poverty.

Since the onset of the global COVID-19 pandemic, we have been faced with new challenges that are quickly depleting our resources. Examples include the expense of purchasing Personal Protective Equipment (PPE) to protect our workers and remain compliant. These costs fell squarely on the business. Fortunately, we were able to qualify for the first round of Paycheck Protection Program loans to support sustaining jobs and salaries but did not qualify for round two because we could not include increased operational expenses that contributed to increased losses. Although we have a strict PPE policy at work, many of our workers missed work because of a lack of childcare or because they were diagnosed with COVID-19. This forced us to place more pressure on existing workers, which increased overtime expenses. The demand for workers increased while recruitment of new workers in our field was nonexistent. This strain on our bottom line continues to be felt today. We continue to struggle to hire new workers.

As was the case in 1992, HCA finds itself seeking alternative sources of capital to support our efforts to sustain our business. Since early 2020, we have seen a decrease in employees willing to purchase shares to become worker-owners, we are struggling to find ways to pay a competitive wage without sacrificing training and benefits, and we lack financial support to widen our scope of services. This is extremely frustrating because demand for home care services continues to increase. Like many in our industry, supply cannot meet the demands for service. If we are to increase volume so that we can remain self-sufficient and provide quality care, we must secure the capital needed to expand our scope of service, pay a competitive wage, offer benefits, and increase worker participation. Securing funds in this environment is proving to be more challenging.

Unfortunately, as a cooperative, we continue to be unable to access the affordable, safe capital offered by the U.S. Small Business Administration. Current SBA regulations require a borrower provide a personal guarantee to properly secure the loan. This provision is not only counter to the

cooperative business model, in which our worker-owners operate on the basis of one member, one vote, but would also be impossible for any one worker to put forward. That is, no single worker has a home, another business, or other asset that could be put 'on the line' to fulfill SBA's current requirements. This is despite our cooperative operating for nearly 30 years, in which our workers and our business has demonstrated having skin in the game and our continued commitment to our community.

For these reasons, HCA supports the proposed Cooperative Lending Pilot Program included in the Build Back Better Act. This program would provide equal opportunity to cooperative small businesses as businesses with other ownership structures. Equal access to affordable capital would allow co-ops like HCA the opportunity to grow to meet the increasing demand for home care services and create employee-ownership opportunity to more caregivers.

Thank you for the opportunity to speak today and I look forward to your questions.