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Rise Of The Caregiver 'Gray Market' Has Home Care Companies On Their Heels

By **Joyce Famakinwa** | January 10, 2024

Home care companies have always had to deal with a gray market in senior care, or an "underground" caregiver workforce. But as the cost of providing care continues to rise, providers may find themselves in more of a bind than before.

Broadly, caregivers that are part of the underground workforce are individuals who are unaffiliated with a home care agency. They are typically working independently and are hired directly by the client or family.

In 2021, a RAND Corporation study found that roughly a third of Americans hired caregivers who were unaffiliated with a regulated agency.

Specifically, 28% of respondents hired aging-related long-term care for themselves or a loved one, and 31% of these individuals retained the services of a gray-market care provider.

The study found that one of the reasons seniors, or their families, sought out the services of unaffiliated caregivers is because some don't qualify for Medicaid long-term services and supports.

Another reason seniors seek out care through the gray-market is because they might not be able to afford to pay for care through a traditional home care agency, according to the study.

Family Resource Home Care CEO Jeff Wiberg sees affordability of home care as the driving factor.

“The conversation around inflation, and the increased cost of care threatening the accessibility of care for people that are having to pay privately, is also driving the consumer towards looking at alternative options,” he said during a recent Home Health Care News webinar. “I can’t ignore the fact that I think this trend is going to continue upward.”

During a separate interview with HHCN, Wiberg pointed to what he believes is another factor contributing to individuals seeking out care from unaffiliated caregivers through the gray market. That is the elevated prominence of the gig economy.

“We’re talking about the psychology of a population accepting a new way of doing business,” he told HHCN. “For example, 20 years ago you would’ve recoiled at the idea of getting into a stranger’s car, and having them take you to your destination. Yet, the advent of Uber, Lyft and others have made that not only acceptable, but actually prevailing. That kind of shift in the way that we relate to the world around us has consequences, because as a society we’ll start to get more comfortable with choosing to bypass traditional methods across the board. I think health care is one of those areas where that could be very problematic.”

Another factor that might make hiring a caregiver through the gray market appealing to seniors and their families is a greater feeling of autonomy.

“Being able to hire someone directly, you can really ensure that the person is the best fit with your needs, or with the needs of your loved one, there’s a little bit more autonomy over hiring the person and managing hours, roles and responsibilities within that relationship,” Kezia Scales, vice president of research and evaluation at the New York-based direct care worker advocacy organization PHI, told HHCN.

Wiberg was clear that unaffiliated caregivers are something that home care companies have always had to wrestle with.

That said, there have been hints and anecdotal evidence that this workforce has been on the rise in recent years.

“We’ve noticed, as an agency, families increasingly say, ‘Hey, we’re using a private caregiver, what we’re using you as an agency for is to fill-in work, or to take shifts that the private caregiver is not available for,’” Wiberg said. “Sometimes they’re even discharging entirely because the family is admitting to having chosen a private caregiver.”

Similarly, Arosa CEO Ari Medoff has also seen more families approach his company looking to work with the agency part-time while also having hired an unaffiliated caregiver.

“I think it’s reasonable to believe that there has been a rise,” he told HHCN.

From a research perspective, it is difficult to quantify the size of the gray market, or underground caregiver workforce, according to Scales.

“It is sort of unmeasured and uncountable,” she said. “I think we know that there has always been a segment of the market that is direct private-pay relationships between individuals providing care and individuals receiving care, or their family members. I think we can speculate that this market is growing, as the costs and the demand for home care services increases, but we’re not able to put numbers on it.”

Aside from observations from industry insiders, there are other indicators that this workforce is growing.

“One indicator, potentially, is the increase in home care worker registries, meaning different kinds of online platforms where care providers can connect with those who need services,” Scales said. “Care.com is one example of that.”

In terms of the impact this has on home care companies, Wiberg explained that demand for home care is still high, but agencies may see less consumption on a per client basis.

“That drives us to have to deal with a larger number of clients, each individually, consuming a smaller number of hours,” he said. “That means we have to drive towards efficiency, and the use of technology, and those kinds of things, to try to keep our fixed overhead down. I would say that our revenue is still growing, but it can be a little deceiving in relation to the specific problem of utilization of the gray market.”

For Medoff, the rise of the underground caregiver workforce has made it crucial to double down on explaining a home care agency’s value proposition to families and seniors.

“It is incumbent on us to help families understand why they should hire us, it’s incumbent upon us to have a good enough job offering for [caregivers] that they choose to work with us instead of other arrangements,” he said.

What’s more, Family Resource Home Care and Arosa utilize client agreements, which urge clients not hire their company’s caregivers while cutting out the agency.

However, Wiberg noted that some states are working to make these types of provision in client agreements illegal. He pointed out that when clients poach caregivers from agencies, they are also cutting out safeguards, such as liability protections and supervisory protections.

Another benefit of working with home care agencies is having an entity whose job it is to deal with logistics and take the lead.

“I can’t tell you how many times we have been retained by a family because they were so tired of having to deal with all the logistics, and the challenges associated with having their own employee,” Wiberg said. “If truly finding, screening, training, deploying and then backing up the care of an individual were easy, then you would not need an agency to do it. The truth is — it’s hard. Home care is a 24/7 business. Diseases and disabilities do not take breaks.”

Ultimately, Scales believes that the rise of the gray market contributes to the precarity of the caregiver workforce.

“It really disperses this workforce across so many different employers and employment relationships,” she said. “I think it contributes to the sort of flux in the workforce, and it really challenges efforts to lift up the whole workforce, to secure better job quality for all home care workers, to support and strengthen recruitment and retention across this workforce.”

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Joyce Famakinwa is a Chicago area native who cut her teeth as a journalist and writer covering the worker’s compensation industry and creating branded content for tech companies and startups. When she isn’t reporting the latest in home health care news,

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