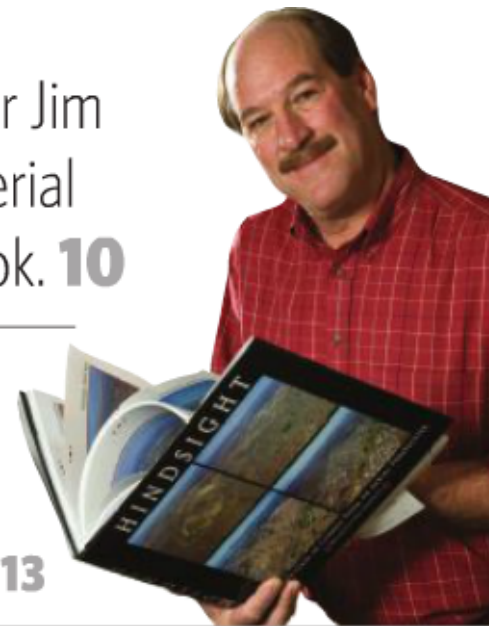


PHOENIX Business Journal

HINDSIGHT: Photographer Jim Todd turns then-and-now aerial photos of Phoenix into a book. **10**

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FEBRUARY 10, 2012

Home health industry fights overtime pay

BY ANGELA GONZALES
Phoenix Business Journal

Valley home care agencies oppose the Obama administration's proposal to require them to pay minimum wages and overtime pay to employees providing those services.

While a direct hit to their bottom lines is obvious, home care operators say the proposed changes could cut even deeper — potentially creating an underground service network that would reduce state tax revenue.

The Fair Standards Labor Act of 1974, created to regulate minimum

wages and maximum working hours, includes an exemption for caregivers or companions who provide home care services. It excludes them from minimum wage and overtime requirements for domestic services.



SEE CAREGIVERS | 36 Roth

High-tech cargo keeps London route in flight

BY MIKE SUNNUCKS AND PATRICK O'GRADY
Phoenix Business Journal

About 176,000 passengers used British Airways' Phoenix

CAREGIVERS: Proposed labor rule could lower tax revenue for wages

FROM PAGE 1

“Our current president wants to go ahead and repeal that exemption,” said Bob Roth, managing partner of Cypress Homecare Solutions in Phoenix.

Arizona is one of seven states that provide minimum wage, which is \$7.65 per hour, but no overtime for home care workers. Fifteen states provide minimum wage plus overtime coverage.

The reason for the proposed changes, according to the U.S. Department of Labor, is because “as the home-care business has changed over the years the law hasn’t changed to keep up.”

“The way I’m looking at it, we’re going to be pushing our care recipients — the most vulnerable population — to be hiring unsupervised caregivers,” he said. “They’re going to potentially hire criminal caregivers and pay them cash so they don’t have to report taxes. It’s all going to go underground.”

After agency fees and employee insurance costs are factored in, Arizona caregivers earn an average of about \$10 an hour, or \$20,800 per year.

Bob Hebert, owner of Carefree Homecare Companion Service in Scottsdale, said industry leaders are concerned about the unintended consequences, such as the loss of tax revenue for wages.



Barno

If a client hires a caregiver directly, that client becomes the caregiver’s employer and is required to collect and pay taxes.

“They don’t want to do that, so they pay them under the table,” Hebert said. “That’s where you lose the tax revenue.”

Plus, agencies provide workers’ compensation coverage for their caregivers.

“If they’re working privately, chances are they won’t have any insurance,” he said.

His biggest concern is the changes could push consumers to hire private caregivers instead of using agencies.

“We do criminal background checks and drug testing,” Hebert said.

Dan Fern, managing partner and co-owner of North Valley HomeWatch Caregivers, said most agencies have caregivers who work more than 40 hours a week.

“The irony is the change in rules is intended to increase compensation levels for caregivers, when in fact it is going to ... lower their income,” he said.

Karen Barno, president and CEO of the Arizona Chapter of the Assisted Living Federation of America, said everybody should be paid at least minimum wage.

“We don’t have a dog in the dogfight,” she said.

ALFA members are assisted-living facilities that provide basic care to the elderly. Many residents in those facilities require additional home services and will pay for those



Fern

services from agencies such as Cypress.

Even if the regulations were changed to require home care workers to be compensated for overtime, Barno said it seems it would be difficult to track.

“Workers work for three or four agencies in a week,” she said. “I’m not sure how anybody would be able to track that. It’s a very fluid workforce.”

There are more than 60,000 home caregivers in Arizona: 40,000 independent and 20,000 agency.

A national survey of more than 1,500 agencies showed more than 86 percent of the companies that will face a new overtime requirement if the proposed rule takes effect intend to restrict the hours worked by staff to prevent overtime costs.

The biggest impact on clients is the loss of continuity of care brought on by the need to assign multiple caregivers to control overtime costs, Roth said.

The survey — conducted by the National Association for Home Care & Hospice and its affiliate, Private Duty Home Care Association — also found that more than 93 percent of the companies surveyed expect an increase in business costs if overtime is required.

Interested parties may submit written comments on the proposed rule by Feb. 27 at www.regulations.gov.

Connect with **Angela Gonzales** at agonzales@bizjournals.com or on Twitter at [@AngelaMGonzales](https://twitter.com/AngelaMGonzales).