

CareLinx's New Model for Home Health Care

By Nick Leiber on October 25, 2012



While Dietra Prater Slack was recovering from oral surgery last month, she needed someone to take care of her 86-year-old mother, who lives 25 miles away and is housebound. The home-care agencies she called wanted at least \$300 a day to dispatch a nonmedical health aide to her mother's home—more than she could afford. Desperate, Prater Slack, a paralegal instructor, searched online. She found a certified nursing assistant willing to do a 24-hour shift for \$150 through **CareLinx**, which works like a matchmaking site for families and nonmedical caregivers. “[CareLinx] has all the tools in place that you need in order to do this well,” says Prater Slack. “And it’s at a reasonable cost for working Americans.”

Launched in December by a onetime Merrill Lynch derivatives trader, San Francisco-based CareLinx maintains a database of 5,500 home-care workers. Visitors to the site can search the listings based on criteria such as work experience and overnight availability or post a job for free. They pay about \$50 a month to connect to caregivers who they'd like to interview. Once matched, CareLinx runs a national criminal background check on the candidate. While clients negotiate wages directly with hires, they can elect to use CareLinx's payment system so that caregivers are covered under the startup's liability insurance policy.

There are currently 40 million-plus Americans older than 65, and the number will surge to more than 88 million by 2050, according to the U.S. Census Bureau. Not surprisingly, a survey released in August by the National Council on Aging shows that 90 percent of respondents 60 or older would prefer to stay in their home over living in an institution. William Dombi, a vice president at the National Association for Home Care & Hospice, a lobbying group, estimates that the size of the U.S. market for home care is at least \$85 billion now. The U.S. Department of Labor projects the industry will add 1.3 million workers by 2020, making it the fastest-growing occupation in the U.S.

CareLinx founder and Chief Executive Officer Sherwin Sheik says his edge over rivals is cost. His clients pay a fee equal to 10 percent of the worker's pay, while the worker takes home \$12 to \$15 an hour on average. Home-care agencies generally charge \$15 to \$20 an hour and pay workers \$10 to \$12 an hour, according to

Dombi, a figure that squares with the Labor Department's most recent wage estimates for this profession. "Our goal is to disrupt the industry by allowing families to go direct to the caregivers," Sheik says.

In September, AARP, the nation's leading advocacy group for seniors, invited CareLinx to make a pitch to its members at an event in New Orleans. "If you could provide a source of vetted [home] caregivers at a lower cost than you can get from the agency, then you have an interesting model," says Jody Holtzman, an AARP senior vice president.

CareLinx isn't the first Web startup to target this market. Waltham (Mass.)-based Care.com launched in 2007 and has 450-plus employees and \$111 million in angel and venture funding, according to founder and CEO Sheila Marcelo. The company, which says it has about 2.5 million caregivers nationwide, also helps households connect with nannies and pet sitters.

Dombi understands the appeal of negotiating directly with the caregiver but isn't concerned that newcomers such as **Care.com** and CareLinx will create a significant challenge for the more than 6,000 home-care agencies his group represents. "A dollar-an-hour difference may matter a lot to the caregiver," he says, "but an agency model will have a tendency to give them a client quicker than going through this." Steven Edelstein, national policy director at the PHI, an advocacy group for personal-care aides, says caregivers could benefit from the arrival of these newcomers: "Being involved in a more formalized network is advantageous, compared to trying to arrange the relationship on their own."

Sheik launched the business with around \$1.5 million, a combination of his own savings and money from colleagues, friends, and family. He is raising more capital from venture firms and a large company in a deal he expects to close "within the next couple weeks." If it goes through, he plans to hire 15 to 20 more employees to manage the more than 120 caregivers he says are signing up weekly and to create a team to "ramp up sales."

CareLinx's founder notes that home-care agencies, which face a perennial shortage of workers, now account for roughly 40 percent of his monthly revenue of around \$20,000. That means they're building his business while chipping away at their own margins: "It's an irony in that they're paying us," he says.

The bottom line: The \$85 billion U.S. market for home care is drawing online startups, which is shaking up an industry dominated by agencies.

Leiber is Small Business editor for Businessweek.com, Entrepreneurs editor for Bloomberg.com, and covers small business for Bloomberg Businessweek.

Reader Discussion

Sherri Snelling, 10/31/2012 01:18 PM

These types of articles on caregiving services are so important. We have 65 million Americans caring for loved ones today and 7-8 million live long-distance from that loved one. The struggle of a family caregiver to find adequate care in-home care and get an occasional break is essential. What is frustrating to caregivers is knowing what options are available to them for in-home care and how to evaluate the best option - both from quality of care and cost. When it comes to questions and tips check out web sites for Visiting Nurses Association of America, HelpGuide and Next Steps in Care.

Jim Smith, 10/30/2012 03:46 PM

Small dose of reality, nurse registries matching subcontractors with consumers have been around forever. Under the example above this consumer expects the subcontracted aide to work a 24 hour shift for \$6.25 an hour, no agency would charge \$300 for a live in 24 hour shift, more like \$200. Consumer becomes the employer and must withhold taxes and pay workers comp insurance and unemployment insurance, not a burden most consumers want to pay. Your subcontractor also has no insurance, if they get hurt in your home, they are going to sue you. Also no backups, Susie calls out sick or car won't start, no caregiver for you today, sonny boy is staying home to care for Mom.