

Home Care vs Home Health vs Hospice: Which Agency Should You Start?

A detailed comparison to help you choose the right agency type
for your goals and resources

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Introduction: The Three Main Agency Types

If you are considering starting an in-home care business, one of the most important decisions you will make is which type of agency to open. The three primary models — non-medical home care, home health, and hospice — each serve different patient populations, operate under different regulatory frameworks, and require fundamentally different levels of capital, clinical expertise, and operational infrastructure. Choosing the wrong model for your background, resources, and goals can lead to years of frustration, while choosing the right model positions you for sustainable growth from the start.

This guide provides a detailed, side-by-side comparison of all three agency types across the dimensions that matter most to new agency owners: services offered, licensing and regulatory requirements, startup costs, revenue sources, profit margins, staffing needs, and time to launch. We also provide a decision framework to help you match the right agency model to your specific situation — your available capital, your clinical background (or lack thereof), your risk tolerance, and your long-term business goals. There is no single "best" agency type; there is only the best agency type for you.

Detailed Comparison

FEATURE	HOME CARE (NON-MEDICAL)	HOME HEALTH	HOSPICE
Services	Personal care (bathing, grooming, dressing), companionship, light housekeeping, meal preparation, medication reminders, transportation	Skilled nursing, physical therapy, occupational therapy, speech therapy, medical social work, home health aide services	End-of-life care, pain and symptom management, emotional and spiritual support, bereavement counseling, respite care
Licensing	State license required in most states (varies by state; 15 states currently have no licensing requirement)	State license required + Medicare certification required to bill Medicare	State license required + Medicare certification required to bill the Medicare Hospice Benefit
Startup Cost	\$20,000 – \$80,000	\$150,000 – \$500,000+	\$200,000 – \$500,000+
Primary Payer	Private pay, long-term care insurance, Medicaid waiver programs	Medicare (primary payer), Medicaid, private insurance	Medicare Hospice Benefit (primary payer), Medicaid, private insurance
Profit Margins	15–30%	8–15%	8–12%
Complexity	Low to moderate	High	Very high
Time to Open	1–6 months	6–18 months	6–18 months
Staff Required	Caregivers / aides, administrator, scheduling coordinator	Registered nurses (RNs), licensed practical nurses (LPNs), physical / occupational / speech therapists, home health aides, medical social workers	Physicians (medical director), registered nurses, home health aides, medical social workers, chaplain / spiritual counselor, bereavement counselor

FEATURE	HOME CARE (NON-MEDICAL)	HOME HEALTH	HOSPICE
Medicare Required	No	Yes — Medicare certification is essential for viability	Yes — Medicare Hospice Benefit is the primary revenue source
Accreditation Required	No (optional, but can enhance credibility)	Recommended — accreditation provides "deemed status" for Medicare	Required for Medicare certification in most cases
Patient Volume to Break Even	10–15 active clients	50–80 active patients	30–50 active patients

Decision Framework: Which Agency Type Is Right for You?

The right agency type depends on your unique combination of resources, experience, and goals. Use the following decision cards to identify which model aligns best with your situation. Read through each card honestly — the factors listed are based on what we see across hundreds of successful agency launches.

EASIEST ENTRY

Start a Home Care Agency If:

- You want the lowest startup cost and the fastest path to launch
- You are comfortable building a private-pay or Medicaid waiver revenue model
- You want a simpler regulatory environment with fewer compliance requirements
- You are in a state that does not require a home care license (giving you the fastest possible launch)
- You have limited healthcare or clinical experience and want to learn the industry with lower risk
- You want to start generating revenue within 30–90 days of launch

HIGHER REVENUE POTENTIAL

Start a Home Health Agency If:

- You have clinical leadership available — at minimum a registered nurse (RN) or physical therapist (PT) willing to serve as clinical director
- You want to serve Medicare patients and access Medicare reimbursement rates
- You have access to \$150,000 or more in startup capital (including working capital to sustain operations during the 6–18 month certification process)
- You are comfortable navigating complex compliance requirements including OASIS, CoPs, and Value-Based Purchasing
- You want higher per-visit reimbursement rates and the ability to scale to a multi-million dollar operation

MOST SPECIALIZED

Start a Hospice Agency If:

- You have a strong clinical team with specific hospice care experience

- You have access to \$200,000 or more in startup capital and are prepared for an extended pre-revenue period
- You have a genuine passion for end-of-life care and are committed to supporting patients and families through the most difficult time of their lives
- You have physician relationships that can provide a medical director for your hospice program
- You can build referral relationships with hospitals, skilled nursing facilities, and physician practices in your market

The Growth Path: Start Simple, Expand Later

Many successful agency owners start with non-medical home care and later add home health or hospice services once they have operational experience and revenue to fund expansion. Starting with home care allows you to learn the fundamentals of the in-home care business — hiring caregivers, managing schedules, building referral relationships, and maintaining compliance — with lower risk and lower capital requirements. Once your home care agency is profitable and your operations are running smoothly, you can use that foundation (and the cash flow it generates) to fund the launch of a home health or hospice division. This staged approach reduces risk while still allowing you to build toward a diversified, multi-service agency over time.

Understanding the Revenue Models

Non-Medical Home Care Revenue

Non-medical home care agencies generate revenue primarily through private pay (clients or their families paying out of pocket), long-term care insurance policies, and Medicaid waiver programs (such as Community First Choice or state-specific home and community-based services waivers). Private-pay rates typically range from \$20 to \$35 per hour depending on your market, with the agency paying caregivers \$12 to \$18 per hour. This creates a gross margin of \$8 to \$15 per billable hour. The key advantage of private pay is that there is no claims processing delay — you bill the client directly and receive payment weekly or

biweekly. Medicaid waiver programs provide a steady stream of referrals but pay lower rates (typically \$15 to \$25 per hour) and require additional compliance with state Medicaid program requirements.

Home Health Revenue

Medicare-certified home health agencies are reimbursed under the Patient-Driven Groupings Model (PDGM), which pays a lump-sum amount per 30-day period of care based on patient characteristics, admission source, clinical grouping, and functional impairment level. Average PDGM payment per 30-day period ranges from approximately \$1,800 to \$3,200 depending on the patient mix. Home health agencies also bill Medicaid (at lower rates) and private insurance. The challenge with Medicare reimbursement is the 30–60 day delay between providing services and receiving payment, which creates significant working capital requirements. Agencies must be prepared to fund 60–90 days of operating expenses before Medicare payments begin flowing consistently.

Hospice Revenue

Hospice agencies are reimbursed through the Medicare Hospice Benefit, which pays a per-diem rate for each day a patient is enrolled in hospice care. The four levels of hospice care — Routine Home Care, Continuous Home Care, Inpatient Respite Care, and General Inpatient Care — each have different daily rates. Routine Home Care (which accounts for approximately 97% of all hospice days) pays roughly \$200–\$210 per day per patient. Revenue scales with census (the number of active patients), making patient volume the single most important driver of hospice profitability. Hospice agencies typically need 30–50 active patients to reach break-even, depending on their operating cost structure.

Regulatory Complexity Comparison

One of the most significant differences between the three agency types is the level of regulatory complexity you will face. Understanding this before you launch is critical because regulatory compliance consumes a meaningful portion of your time, attention, and budget — and the penalties for non-compliance can be severe.

Non-Medical Home Care

Non-medical home care agencies face the lightest regulatory burden. In the 15 states that do not require a license, you can legally begin providing services as soon as you form your business entity and hire caregivers. In states that do require a license, the application process typically takes 30–120 days and involves submitting a business plan, policies and procedures, proof of insurance, and administrator qualifications. Annual compliance includes maintaining current licensure, meeting training hour requirements for caregivers, and passing periodic state inspections (frequency varies by state). There is no federal oversight unless you participate in a Medicaid waiver program.

Home Health

Home health agencies face a high regulatory burden because they must comply with both state licensing requirements and federal Medicare Conditions of Participation (CoPs). The Medicare certification process alone takes 6–18 months and involves a rigorous initial survey by a state survey agency or accreditation organization. Once certified, agencies must maintain ongoing compliance with 11 CoPs covering patient rights, assessments, care planning, staffing, clinical records, OASIS reporting, and QAPI. Agencies are subject to unannounced recertification surveys every 36 months, and deficiency citations can result in plans of correction, Civil Money Penalties, or termination from Medicare.

Hospice

Hospice agencies face the highest regulatory burden of the three types. In addition to state licensing and Medicare certification (with its own set of Conditions of Participation for hospice), hospice agencies must comply with specific requirements around the Medicare Hospice Benefit, including certification of terminal illness, election and revocation procedures, benefit period management, and the hospice cap (an aggregate per-beneficiary spending limit). Hospice agencies are also subject to heightened CMS scrutiny due to well-publicized fraud cases in the industry, resulting in more frequent audits, Targeted Probe and Educate (TPE) reviews, and OIG investigations.