

Armed with \$50 million, can S.F. home care startup fix the pain of finding caregivers for the elderly?

By [Kevin Truong](#) – Multimedia producer, *San Francisco Business Times*

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By 2035, there will be 78 million people in the United States who are 65 and older. But as the massive baby boomer population ages, it isn't clear how their families will find care for them.

Enter Honor, a San Francisco-based home care startup that has raised \$50 million in a Series C funding round led by Naspers Ventures. All told, the company has raised \$115 million from investors — including Andreessen Horowitz, Kapor Capital and Thrive Ventures — to help solve this problem.

The company launched in 2015 offering home aides directly to consumers through its online network, but has largely pivoted its business model to revenue-sharing partnerships with existing home care agencies.

While Honor CEO [Seth Sternberg](#) said that the company's direct-to-consumer service will continue, it will largely function as a test lab for what the company calls its [Honor Care](#) Network.

“[Honor Care](#) Network really takes over the nuts and bolts of the operation and the back-end logistics and allows agencies to maintain their business and their brand and focus on their specialty of care management,” Sternberg said.

Sternberg said the new funding round will be geared towards expanding growth in the company's existing markets of San Francisco, Los Angeles, Albuquerque and Dallas, as well as in neighboring regions like Sacramento, Orange County and Santa Fe. Naspers Ventures' Mike Katz is also joining the company's board as part of the funding deal.

By partnering with agencies, Honor adds caregivers onto its network and, in turn, handles recruiting, payroll, billing, insurance, legal and compliance issues. For a home care industry that is largely made up of small agencies and independent contractors, Honor offers the promise of professionalization and quality control, as well as leverage in supplier negotiations.

“Someone who lives in San Francisco and San Mateo can now get the same quality and the same consistency of care. Societally that has a lot of value,” Sternberg said. “We’re really enabling these small businesses to become medium-sized businesses.”

Meredith Caplin, owner of Oakland-based CSS Home Care and a member of Honor’s network, said working with the company has taken away some of the “headache” of running her business.

Now, instead of working on HR or compliance issues, Caplin spends the majority of her time finding new customers, meeting and working with clients and developing specialized care plans. In the seven months since she started working with Honor, Caplin said business has been up nearly 40 percent.

“Honor has specialized in using new technology to enhance the level of care and be able to recruit higher-quality caregivers,” Caplin said. “Home care is very intimate and local and by partnering with smaller agencies that have a foothold, they can use the expertise of the smaller agencies to bring the level of care up.”

Many care agency owners, including Caplin, report difficulty in finding enough quality caregivers.

In the Bay Area, the home care industry is facing a labor shortage, driven by high housing costs and stricter immigration rules for populations who make up much of the home aide workforce, said Kathleen Kelly, the executive director of Family Caregiver Alliance, a San Francisco nonprofit.

For caregivers, one major issue that Honor is trying to address with technology is filling the schedules of care providers because regular work can be hard to come by.

“When you think about it, the difference between 30 hours and 40 hours is 25 percent. That’s meaningful,” Sternberg said.

Kelly, who is unaffiliated with Honor, said the industry is increasingly consolidating. She added that partnering with Honor could be a boon for small agencies trying to deal with the greater regulatory complexity affecting the home care market.

“Up until recently, there’s been a lot of mom-and-pop shops. Those mom-and-pop shops might have issues in terms of having the tech capacity and the wherewithal to stay ahead of regulation and compliance issues. If you could buy into it with something like Honor, it might make smart business sense to do so,” Kelly said.

Honor was one in a crop of home care startups professing to “disrupt” the existing home care market. Some of Honor’s main competitors have pivoted, shaken up their leadership or folded entirely.

“To break away with enough escape velocity in home care, a company needs to effectively leverage technology to deliver a faster and better experience at a drastically lower price. Currently, none of the venture-backed home care companies have been able to do that. Not one is price-disruptive,” wrote HomeHero CEO Kyle Hill in a Medium post announcing the end of his company.

Sternberg disagreed with the premise of the critique, saying that Honor’s competitive advantage lies in using technology in simply providing a better service than existing companies.

“This space is just really hard and the nuance of handling logistics and building technology ... is really hard to do in a business,” Sternberg said. “We charge market rates and are fundamentally better, and have grown to be one of the largest (care networks) in the country.”