



# **Quantifying the Value Proposition of Employer-Assisted Housing: A Case Study of Aurora Health Care**

By Lynn M. Ross, AICP

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## **INTRODUCTION**

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Attracting and retaining a talented workforce is always a challenge, but hospitals are seemingly at major crossroads. The labor crunch faced by hospitals is mainstream news. Some experts estimate that by 2020, the nation will face a shortage of up to one million registered nurses. Babyboomers currently working in health care will be retiring and joining the ranks of a growing, aging population that increasingly relies on the health care system. In many parts of the country, vacancy and turnover rates currently exceed twenty percent.

This labor shortage is further compounded by the escalating cost of housing and the decreased availability of affordable housing near employment centers. Despite the present downturn in the housing market, affordable housing remains out of reach for many hospital workers. This is especially true in urban areas. Hospitals are contending with a workforce that is moving further away from work in order to obtain affordable homes. In some instances, hospitals lose these employees to jobs located in more affordable areas, even though pay scales are lower. For those long distance commuters remaining with the hospital, absenteeism and stress levels have reportedly increased, leading to reduced productivity and morale. In addition, employees living far from work are less available to serve in the case of an emergency.

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The shortage of affordable housing and a shrinking workforce have left hospitals in a precarious situation. Hospitals, like many other larger employers, are looking for creative approaches to recruiting and retaining high-quality employees. Employer-assisted housing (EAH) offers one possible solution. Fannie Mae, a housing financial services organization and leading provider of EAH technical assistance, defines EAH as “an employee benefit that helps an employer achieve business goals while helping their employees with housing needs.”

Advocates of EAH suggest that EAH benefits everyone involved: the community, the employer, and the employee. Employees receive the most obvious benefit in that they receive educational and financial resources that may help them get into previously unattainable housing. EAH can create a powerful incentive for employees to remain invested in both the hospital and the larger community. Use of EAH programs can also significantly improve the quality of life experienced by the employee by improving housing conditions, building wealth and often reducing commute time.

EAH can also benefit hospitals and other employers. Employee turnover can be very expensive — the equivalent of a significant portion of the departing employee's salary not to mention negatively affecting remaining employee's productivity and morale. In tight housing markets, EAH may help employers recruit and retain employees. EAH also may help employers—hospitals in particular—revitalize deteriorating neighborhoods with soft housing markets in which they have substantial real estate investments. Hospitals can also experience good will and an image boost in the larger community by providing EAH.

Communities benefit from having increased access to affordable housing, including both homeownership and stable affordable rental homes. Higher homeownership rates generally correspond to greater neighborhood stability as well as increased tax revenues from both the homeowners and the retained businesses. Stable, affordable rental housing may provide similar benefits. Some EAH programs are structured to encourage employees to explore housing in an area they might previously not have considered which could benefit a community's targeted reinvestment efforts.

## **WHAT IS THE VALUE PROPOSITION OF EAH?**

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While a number of hospitals have adopted EAH programs, the vast majority have not. The slow penetration of EAH may be due to the lack of data on the how this emerging phenomenon is affecting recruitment and retention. What bottom-line impact has there been on turnover as a result of implementing EAH programs? Recruitment? Workforce stability? Until these questions can be more definitively answered, it is unlikely that EAH will receive widespread acceptance by hospitals.

Many employers with EAH are enthusiastic about its benefits in recruiting and retaining key employees, but developing hard data to quantify this value proposition—the bottom-line impact of EAH for employers—has proven a complex and difficult task, regardless of industry. Data collection and evaluation are usually not top priorities when programs of this type are established, and no standards currently exist to help employers determine what data to collect.

To better understand what the available data show on the benefits of EAH to employers, the Center for Housing Policy worked with Aurora Health Care and Select Milwaukee on this case study.

## **CASE STUDY: AURORA HEALTH CARE**

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Aurora Health Care is a not-for-profit integrated health care provider based in Milwaukee, Wisconsin. Established in 1984, Aurora operates 13 hospitals, over 100 clinics, and more than 130 pharmacies in 90 eastern Wisconsin communities. The organization employs more than 26,000 health care professionals throughout its network of facilities. Over 10,000 of those employees work in the Milwaukee metro area.

The Aurora Employee Homeownership Program began in 1993. The program was initially created as a “walk to work” program for Sinai Samaritan Medical Center (now Aurora Sinai Medical Center) employees. The goal of the original program was to support homeownership in the neighborhoods surrounding the medical center. Aurora believed that providing a homeownership opportunity would improve the personal and financial security of employees. Working with Select Milwaukee—a local non-profit and member of the national NeighborWorks® America network that provides homeownership services for the Aurora program and 13 other Milwaukee employers with EAH programs—the Aurora program has continued and expanded to encompass all Aurora employees at all Aurora facilities.

To be eligible for the program, the employee must be a full- or part-time employee who has worked for Aurora at least one year and is in good standing. Employees do not have to be first-time homebuyers to qualify for the program. Participants can purchase any new or existing home (single family, condominium, duplex, or mixed-use) anywhere in the City of Milwaukee.

Participating employees receive financial and homeownership guidance from Select Milwaukee, helping prepare them for quality, affordable mortgage financing. Aurora provides eligible employees with a five-year, zero-percent interest forgivable loan of up to \$3,000 per employee. The loan is forgiven over the five-year period if the employee:

- maintains full-time employment with Aurora;
- continuously occupies the home; and
- does not sell or otherwise transfer ownership interest in the property.

Despite Aurora's commitment to EAH and strong belief in the success of the program and its economic contribution to the community, Aurora has not previously attempted to quantify the value proposition in terms that might be useful for Aurora and for other employers considering whether to launch an EAH program. Recognizing the need for such an examination, Select Milwaukee approached the Center for Housing Policy. Together, the Center for Housing Policy, Aurora, and Select Milwaukee, set out to develop and test a methodology for quantifying the value proposition of EAH using Aurora's program as a test case. Our goal was to learn about both the quantitative results of EAH on Aurora's recruitment and retention efforts and what data might be most useful and accessible for future studies.

## **METRICS AND DATA COLLECTION**

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The Center began the process by outlining a data request for Aurora and Select Milwaukee that focused on the following metrics:

- Age
- Closing Date
- Gender
- Job Level
- Length of Service
- Merit
- Purchase Location
- Purchase Price
- Race
- Turnover

Data were provided by Aurora and Select Milwaukee for the 208 Aurora employees that participated in the program from 2000 to 2007. Aurora provided information pertaining to race, age, gender, job level, length of service, average turnover, and merit. Aurora also provided summary data for all Aurora employees across the same categories. More detailed turnover data was provided for program participants and Metro area Aurora employees for 2004-2007.

Select Milwaukee provided data for 203 Aurora EAH participants from 2000 to 2007 pertaining to household size, household income, purchase price, closing date, forgivable loan amount, race, purchase location (zip code), and female-headed household designation. There were five cases of two Aurora employees from the same household participating in the program together. Aurora counts each employee individually in its data thereby creating 208 total records.

## **KEY FINDINGS**

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The Aurora workforce is predominantly female (83 percent) and relatively young with 55 percent of the workforce under the age of 45. Some 12 percent of the workforce are employees of color, with African-Americans making up the largest minority population (6 percent).

How does this profile compare with the EAH participants? The summary table below begins to highlight some key differences. In short, EAH participants are much more likely than other Aurora employees to be under 35 and minority.

**Table 1. Profile of Aurora Workforce**

	<b>All Aurora Employees</b>	<b>Metro Area Employees</b>	<b>EAH Participants</b>
<b>Number of Employees</b>	26,051	10,007	208
<b>Percent Minority</b>	12%	19%	46.7%
<b>Percent Female</b>	83%	83%	84.6%
<b>Percent Under 35</b>	32%	35%	55.3%

Interestingly, an overwhelming majority of Aurora employees—almost 70 percent—stay with the organization for less than 10 years. EAH participants, by contrast, have proven to be long-term employees. The average length of service of EAH participants at the time of purchasing a home through the EAH program is 6.4 years, and 74 percent of participants from the study period are still with Aurora today. As of 2007, the average length of service for the EAH participants still with Aurora is 14.7 years— a finding that is consistent with the hypothesized benefits of EAH in contributing to employee retention.

**Race:** As the table below indicates, a significantly higher proportion of EAH participants are employees of color. African-American and Hispanic employees, in particular, experience the benefits of EAH in greater proportion to their White peers.

**Table 2. Aurora Employees by Race**

	<b>All Aurora Employees</b>	<b>Metro Area Employees</b>	<b>EAH Participants</b>
<b>African-American</b>	6%	12%	27.9%
<b>American Indian/Alaskan Native</b>	1%	1%	0.5%
<b>Asian/Pacific Islander</b>	2%	2%	0%
<b>Hispanic</b>	3%	4%	18.3%
<b>White</b>	88%	81%	53.4%

**Age:** As noted above, the Aurora workforce is relatively young. That said, as of 2007, one-fifth of the workforce is within 10 years of retirement age making the retention of younger employees that much more important. The EAH program is helping to address this issue because 25-34 year-olds are the top age cohort benefiting from the program.

**Table 3. Aurora Employees by Age**

	<b>All Aurora Employees</b>	<b>Metro Area Employees</b>	<b>EAH Participants<sup>2</sup></b>
20-24	9%	10%	7.2%
25-34	23%	25%	48.1%
35-44	23%	21%	24.5%
45-54	27%	26%	16.3%
55 and up	18%	17%	3.8%

**Job Level:** Aurora classifies staff according to the three categories: staff, professional, and leadership. Forty-six percent of the Aurora workforce is considered staff. Staff-level occupations include administrative assistants, patient services representatives, pharmacy technicians, and patient care assistants. Professionals—registered nurses, senior accountants, occupational therapists, surgical assistants, etc.—comprise 48.3 percent of the workforce. Leadership—Aurora’s supervisors, directors, and managers—make up just under six percent of the workforce.

<sup>2</sup> Age measured at the time employee enters EAH program.

The table below indicates relatively constant job level splits across participating and non-participating employees. Compared to all Aurora employees, slightly more employees at the staff level and slightly fewer employees at the leadership level benefit from the EAH program, but these differences are not substantial.

**Table 4. Aurora Employees by Job Level**

	<b>All Aurora Employees</b>	<b>Metro Area Employees</b>	<b>EAH Participants</b>
<b>Staff</b>	46%	43%	47.6%
<b>Professional</b>	48.3%	52.8%	48.6%
<b>Leadership</b>	5.7%	4.2%	3.8%

**Merit:** The merit increase range is determined on an annual basis. Merit increases that employees receive are based on their performance review and are categorized as follows:

1. *Development Needed:* meaning the employee received 0 to 59 percent of the maximum merit available that year;
2. *Competent:* meaning the employee received 60 to 69 percent of the maximum merit available that year; or
3. *Exceptional:* meaning the employee received 70 to 100 percent of the maximum merit available that year.

The average merit for Aurora employees in 2007 fell into the “competent” category at the 64 percent level. By contrast, the average merit for EAH participants in 2007 fell into the “exceptional” category at the 75 percent level, indicating that EAH participants are higher-performing employees.

**Turnover:** The table below indicates that EAH participants exhibit significantly lower turnover rates than non-participating employees.

**Table 5. Aurora Employee Turnover 2004-2007**

	<b>All Aurora Employees</b>	<b>Metro Area Employees</b>	<b>EAH Participants</b>
<b>2004</b>	n/a	13.4%	7.2%
<b>2005</b>	n/a	11%	5.3%
<b>2006</b>	n/a	12.1%	3.9%
<b>2007</b>	11.8%	12.6%	4.8%

**Home Purchase Price:** In 2007, there were 43 new Aurora EAH home buyers whose household incomes averaged \$55,352 (101 percent of the Milwaukee County median income). The median purchase price of the homes they purchased in 2007 was \$135,750. This is about 27 percent below the 2007 median home purchase price in Milwaukee of \$185,000.<sup>3</sup> The income needed to purchase a median-priced home in Milwaukee 2007 was \$60,435 – about nine percent higher than the average income of Aurora’s EAH participants.

Eighty percent of the 208 Aurora employees participating in the program have qualified for the forgivable loan offered by the program (up to \$3,000 per employee), resulting in a total outlay of approximately \$500,000. While data on recruitment and training costs were not available for this study, it seems highly likely that the costs of hiring and training replacements for the 208 participants would be significantly higher than the \$500,000 investment in EAH forgivable loans (and related administrative costs) that Aurora has made over the study period.

#### **AURORA’S VALUE PROPOSITION**

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What can we say about the value of the Aurora Employee Homeownership Program? Clearly, Aurora employees are benefiting by receiving financial and homeownership guidance, the forgivable loan, and access to affordable, low-cost mortgage financing – key ingredients to long-term successful homeownership. However, the data are also consistent with Aurora’s understanding that by making a modest investment to provide these benefits, Aurora also experiences a bottom-line benefit. EAH participants are proving to be better performing employees who choose to stay with the organization longer. Moreover, turnover is reduced which correlates to increased workplace stability, productivity, and morale.

It is important to note that this study was a one-time snapshot that was unable to directly test what has *caused* the differences in tenure and performance between employees who take advantage of EAH and those that do not. Proving causality would be a difficult undertaking that would require a controlled experiment – for example, randomly picking two health care facilities to adopt EAH programs and two that do not and comparing the data over time. Nevertheless, the differences in outcomes for EAH and non-EAH employees are substantial enough that they are highly suggestive of a positive bottom-line impact of EAH for Aurora that far exceeds the costs of its investment in the program.

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<sup>3</sup> Median home purchase price and income needed obtained from the Center for Housing Policy’s interactive database, “Paycheck to Paycheck.” Available at <http://www.nhc.org/chp/p2p/>.

## **CHALLENGES OF THE DATA COLLECTION PROCESS**

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There were three major challenges identified in collecting the data. First and foremost, as is the case in most EAH programs, program evaluation was not a built-in feature of Aurora's EAH program. Employees participating in the program were not identified or otherwise flagged within Aurora's Human Resource Information System, which led to data needing to be manually collected.

A related challenge was that some of the needed data are not centrally collected. For instance, the Center initially requested data on employee discipline and absenteeism for this study. However, collecting this data proved too labor intensive. Discipline data are collected separately by each Aurora facility, which would have required the manual review of logs. In the case of the absenteeism data, the always busy payroll department could not make collection of these data a priority over maintaining the day-to-day payroll operations; nor could they easily reassign a staff person for the project.

The final major challenge was the time commitment necessary to gather the necessary data. Aurora is a large organization with a very full workload. Like most organizations, there were already a number of competing priorities within the regular work program. Assisting with this study meant that our Aurora contact voluntarily added a challenging, labor-intensive project to an already full plate.

## **CONSIDERATIONS FOR OTHER EMPLOYERS**

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Quantifying the value proposition is critical to the success of the EAH concept as well as the sustainability of individual programs. Whether your organization is a hospital or represents another industry, we have four suggestions for helping to quantify the value proposition for your EAH program:

1. *Launch your EAH program with an eye towards program evaluation.* It is much easier to determine return on investment when your program is designed and implemented with an evaluation component already in place.
2. *Determine the metrics for your program.* Select data points that will be meaningful to your organization and ensure they are collected on an ongoing basis. Why are you starting an EAH program? What results will indicate success? Answering these questions may help determine what needs to be measured. A list of possible metrics to collect for EAH participants in comparison with all employees is provided below:

- Absenteeism
- Age
- Discipline
- Gender
- Household size
- Job level
- Length of service
- Merit
- Participation in employer sponsored retirement plan
- Race
- Salary
- Tardiness
- Turnover

Additionally, you will need to collect metrics specific to the EAH participants which could include:

- Amount of EAH benefit
  - Nature of financial benefits provided through EAH (grant, forgivable loan, recoverable loan, rental assistance, etc.)
  - Nature of other benefits (e.g., homeownership counseling, financial education courses, etc.)
  - Closing date for home purchases or move-in date for rentals
  - Household income
  - Foreclosure or eviction status
  - Post-purchase commute time
  - Pre-purchase commute time
  - Purchase or rental location
  - Purchase price or rent
3. *Flag EAH program participants as soon as they enter the program.* Doing so will ensure that you are able track these employees in your organization's Enterprise Resource Planning (ERP) system or Human Resources Information System (HRIS).
  4. *Make EAH evaluation a priority.* Even with easy access to good data, evaluation takes time and effort. Determine early on who in the organization will be responsible for data collection and analysis of your EAH program. Build this task into the regular work program to ensure that this task is given adequate time and does not have to compete with other priorities.

## RESOURCES

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