

Infusion Therapy Market Overview

H1 2023

Overview of Infusion Services

The \$100B-plus infusion therapy market continues to grow rapidly with an ongoing shift in the site of care out of the hospital to outpatient and home settings.

- Infusion therapy can be placed into one of two therapeutic classes: Traditional (Acute) and Specialty Infusion (Chronic)

Traditional (Acute)

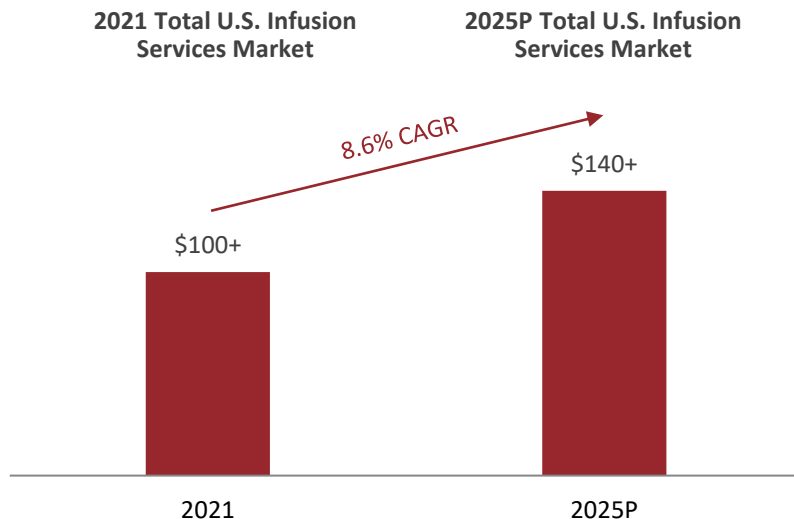
- › Continuation of acute care that was started in the hospital⁽¹⁾
- › Includes therapies such as antibiotics and hydration, among others
- › Treatments generally last between two to six weeks
- › Typically low per patient revenue given shorter duration of care
- › High patient turnover

Specialty Infusion (Chronic)

- › Care that was started and prescribed from an outpatient clinic or prescriber's practice⁽¹⁾
- › Includes therapies such as immune globulin, monoclonal antibodies, rheumatology, etc.
- › Treatments generally last several months to years (or life)
- › High per patient revenue given ongoing nature
- › Low patient turnover

Growing U.S. Infusion Market⁽²⁾

\$ in Billions



Care Setting



Hospital

- › Traditional care setting inside a hospital
- › Multiple chairs per room, monitored by a nurse with physician on-site



Physician Office Infusion Center (OIC)

- › Provided in the physician office with nurse supervision
- › Common within various specialties including oncology, neurology, pulmonology, GI, allergy, immunology, and rheumatology



Ambulatory Infusion Center (AIC)

- › Private room in a stand-alone outpatient facility monitored by an on-site nurse
- › Multiple patient referral points and conditions vs. single physician office



Home

- › Therapy provided by a nurse at the patient's home
- › Nurse travels to patient location and typically monitors for duration of treatment

1) Vizient Home Infusion Market Report, 2022

2) CVS Health: Coram Study, Option Care Health Investor Presentation, July 2020; Coherent Market Insights Report, Deloitte Analysis

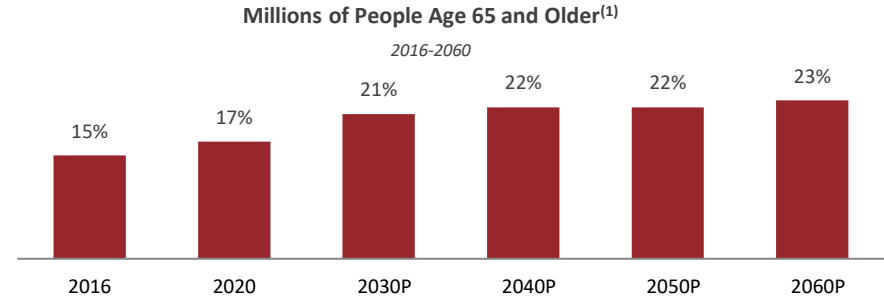
Infusion Industry Growth Drivers and Recent Trends

The aging U.S. population coupled with a rise in chronic disease, increased patient preference for and lower cost of home-care or outpatient site services, and proliferation of new treatments is driving strong growth for infusion therapy.

1

Aging Population

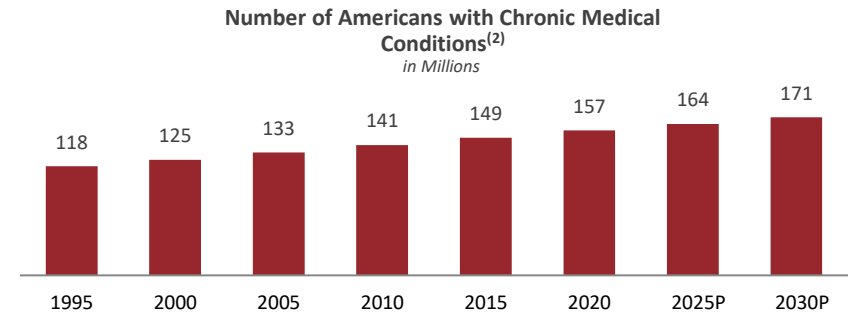
- › In the U.S., the population of those 65 and older is projected to nearly double over the course of the next three decades and increase from 17% of the overall population in 2020 to 23% by 2060



2

Rise in Chronic Disease

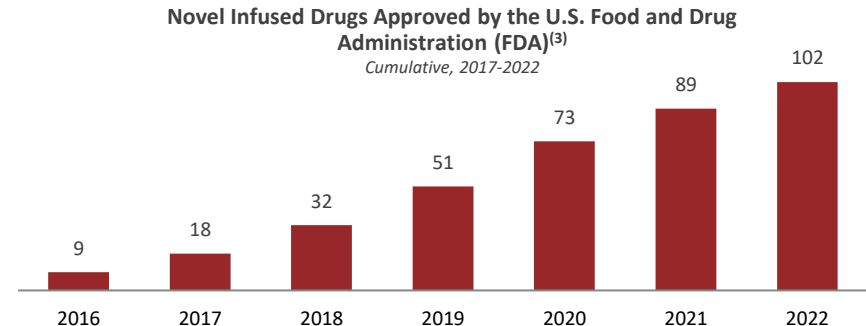
- › Chronic diseases will continue to increase driven not only by the growing population of those aged 65 and older but also the prevalence of conditions among children and younger adults
- › The rise in chronic disease increases the need for infusible drugs and specialty pharmaceuticals



3

New Treatments

- › The infusion services market is expected to continue expanding as new infusible and specialty drugs are approved and treatment options for patients and caregivers expand



1) U.S. Census Bureau
2) Advisory Board: 2022 Infusion Market Trends
3) FDA: New Drug Therapy Approvals

Future Trends and Impacts to Consider

As the infusion market continues to evolve, there are many factors that will shape the market, including policy changes, increased competition, and new drug development.



Federal Policies

340B Reimbursement

- › Recent policy changes have positively impacted reimbursement rates for 340B-acquired drugs; however, focus on the program's efficacy may result in future pressure

Inflation Reduction Act

- › Inflation rebate penalty and Medicare drug price negotiation will have mixed impacts on infusion care
- › Greater affordability, lower provider reimbursement, and loss of revenue to manufacturers are a few of many potential implications

White Bagging

- › Infusion care providers are likely to see pressure on revenue as white bagging becomes more prevalent



Competition

- › More competition and opportunity in the market as payors have been pushing for infusion therapy to be administered in care settings outside of the hospital

Health Systems, Physicians, Private Equity (PE), and Health Plans Are All Key Stakeholders

- › **Health systems** are developing non-HOPD infusion capabilities (mostly focused on home) fueled by a desire to capture an outgoing revenue stream
- › **Physician practices** are expanding infusion services driven by patient preference and by new therapies being able to be safely delivered in the office setting
- › **Health plans** are expanding services driven by a desire to increase patient access / drive differentiated value to patients
- › **Private equity investment**, concentrated in AIC and home, has been fueled by market size, growth, opportunity driven by shift in care setting, and fragmentation



Biosimilars / New Drugs

- › Prevalence of biosimilars and new drugs are shifting preference for site of care as new formulations are indicated for settings outside of the hospital
- › Multitude of new drugs, 50% of which are infused, are coming to market to treat a variety of diseases
- › The FDA has approved five novel drugs so far this year, with two of them being administered intravenously; during the period from 2016-2022, the FDA approved 100-plus infusible drugs
- › Cell and gene therapy is growing and expanding drug therapies
- › New drug formulations are impacting delivery models, resulting in both positive and negative impacts to providers and patients

Shift of Infusion Care Delivery to Outpatient Settings

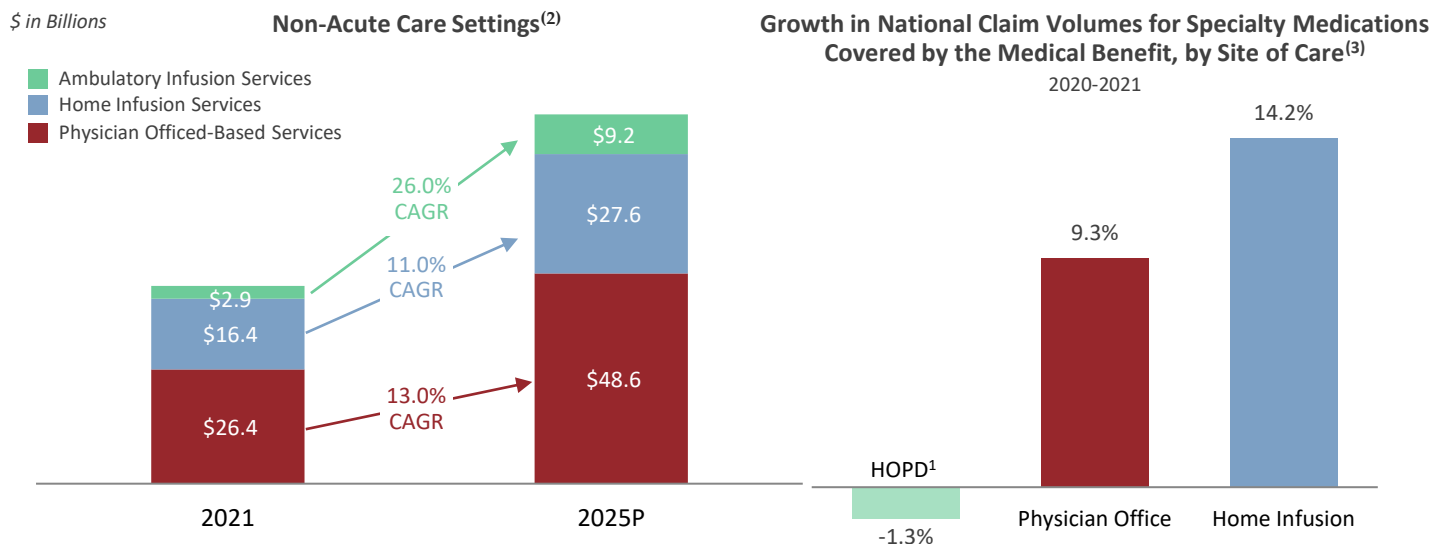
There has been an ongoing shift in the site of care out of the hospital and into the outpatient and home settings.

- Due to cost-effectiveness, convenience, quality of care and nature of many of the conditions for which patients receive infusion therapy, the market is shifting away from the hospital and into non-acute settings
- AICs and OICs are well positioned to capture volume from a variety of specialties including GI, neurology, allergy, immunology, rheumatology, and pulmonology, where most patients are first diagnosed for their condition by a physician and progress over time to needing infusion therapy
- Home infusion will continue to grow driven by patient convenience and new therapies coming to market that can be safely and more cost-effectively administered in the home, particularly as competition increases among manufacturers within therapy types
- A number of infusion therapies, such as oncology, neurology, and pulmonology that were traditionally administered in a hospital environment are increasingly performed in AICs and OICs
 - Medicare utilization of oncology drugs in the physician office grew 18.5% annually between 2017 and 2020⁽¹⁾

Key Drivers of Shift to Outpatient Infusions

- ✓ Cost-effectiveness
- ✓ Patient convenience
- ✓ Therapy adherence
- ✓ Growing geriatric population
- ✓ Decreased patient mobility
- ✓ Improved access to therapies
- ✓ Decreased length of stay
- ✓ Payors dictating site of care
- ✓ Expansion of Medicare Part B home-infusion coverage

U.S. Infusion Growth Across Sites of Care



1) Advisory Board: 2022 Infusion Market Trends

2) CVS Health: Coram Study, Option Care Health Investor Presentation, July 2020; Coherent Market Insights Report, Deloitte Analysis

3) Pharmaceutical Strategies Group, Ametrx State of Specialty Spend and Trend Report., 2022; "Pharmacy and Infusion Services Market Update," Harris Williams, October 2021.

Overview of Infusion Care Settings: Hospital

The hospital setting was traditionally the preferred setting for infusion therapy and remains a majority of the overall infusion market today.

- The hospital setting accounts for ~55% of total infusions in the current market but is expected to continue to decline as a percent of total infusion therapy over the next five years
- Historically, patients were expected to travel long distances to receive care at the hospital as it was the only option available for specific therapies
- The hospital has traditionally focused on more acute therapies, or therapies that have a higher risk associated with the delivery (tolerance, side effects, etc.)
- Hospitals have also historically benefited from higher reimbursement rates, allowing them to profitably administer infusion therapy despite the higher costs associated with delivery

Advantages of Hospital Setting

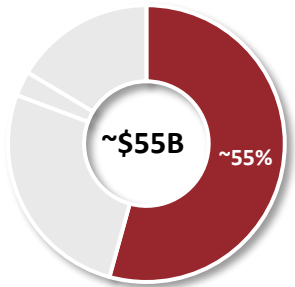
- ✓ Can deliver wide range of therapies
- ✓ More oversight for riskier therapies
- ✓ Keep patient within the system and capture revenue stream
- ✓ Higher reimbursement rates supports administering certain therapies with low margin profile in ambulatory settings

Relevant Specialties / Therapies

- Antibiotics
- Whole blood
- Blood products
- Chemotherapy
- Biologics
- Pulmonology
- Neurology

Disadvantages of Hospital Setting

- › More costly to the overall system
- › Worse patient adherence for chronic therapies
- › Higher risk of infection
- › One centralized location can be inconvenient to patients



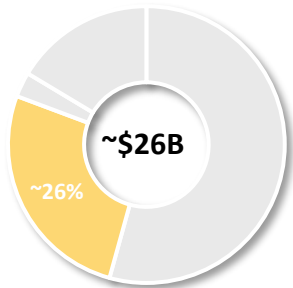
Commercial Spend by Site of Care⁽¹⁾

1) CVS Health: Coram Study, Option Care Health Investor Presentation, July 2020; Coherent Market Insights Report, Deloitte Analysis

Overview of Infusion Care Settings: OIC

The OIC setting offers a viable alternative site of care to the hospital and is expected to continue growing to ~\$49B in market size by 2025.

- The OIC setting accounts for 26% of the total infusion market and is expected to grow 13% annually through 2025
- The infusion suite is connected to or in close proximity to a physician office (gastroenterologist, rheumatologist, etc.), which is owned and managed by the physician practice or managed by a third-party provider
- Therapies provided in the OIC setting are generally tied to the provider specialty and allow the physician practice to keep patients in-house as they progress from their first diagnosis over time to their first infusion therapy
 - › This limits the diversity of therapies OICs are able to provide and requires them to be dependent upon increasing patient volumes / diagnoses
- In addition to several investments in OIC providers, PE has also gained OIC exposure through physician practice management transactions in specialties where infusion is common and an attractive ancillary, such as GI



Relevant Specialties / Therapies

- Infectious Disease
- Oncology
- Neurology
- Pulmonology
- GI
- Allergy
- Immunology
- Rheumatology

Advantages of OIC Setting

- ✓ Lower relative cost vs. hospital setting
- ✓ Providers can keep patients in-house as they progress through their treatment
- ✓ Better therapy adherence than hospitals
- ✓ No windshield time for nurses
- ✓ Lower risk of infection as compared to hospital setting
- ✓ More convenient for patients
- ✓ Oversight to administer therapies unable to be delivered in the home

Disadvantages of OIC Setting

- › Dependent on physician practice patient volume
- › Complex payor contract administration and RCM processes
- › Higher initial startup costs than home-based model

1) CVS Health: Coram Study, Option Care Health Investor Presentation, July 2020; Coherent Market Insights Report, Deloitte Analysis

Overview of Infusion Care Settings: AIC

As payors continue to push for patients to be treated in lower-cost settings, the AIC model is becoming a preferred option driven by patient convenience and lower costs to the system.

- The AIC market is ~\$3B currently and is expected to grow 26% annually through 2025 to almost \$10B
- AICs generally receive lower reimbursement rates than hospitals; however, they are able to drive more patient throughput and operate at a lower cost
 - › Unit economics are focused on utilization of capacity and ability to serve multiple patients at a time with minimal clinical staff
- Unlike the OIC setting, AICs are not dependent on the patient population of an individual physician practice and are able to capture and treat patients with a wider set of conditions and provide a more diverse set of therapies to drive utilization
- AICs also benefit from not having to share economics with the overseeing physician, as would be the case with an OIC setting managed by a third-party provider
- Large whitespace opportunity with only 3% of the market captured by AICs currently is driving a high degree of investment interest

Advantages of AIC Setting

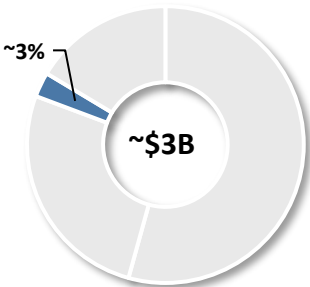
- ✓ Lower relative cost vs. hospital setting
- ✓ Better therapy adherence than hospitals
- ✓ No windshield time for nurses
- ✓ Lower risk of infection as compared to hospital setting
- ✓ More convenient for patients
- ✓ Oversight to administer therapies unable to be delivered in the home
- ✓ Multiple convenient locations drive utilization
- ✓ Potential for lower overhead / wages associated with staff on per infusion basis
- ✓ Relatively low initial capex spend
- ✓ Ability to profitably administer larger set of therapies, including biologics, vs. home setting

Relevant Specialties / Therapies

- Oncology
- Neurology
- Pulmonology
- GI
- Allergy
- Immunology
- Rheumatology

Disadvantages of AIC Setting

- › Dependent on driving patient volume and referrals
- › Need high throughput
- › Higher initial startup costs than home-based model
- › Require strong payor contracts



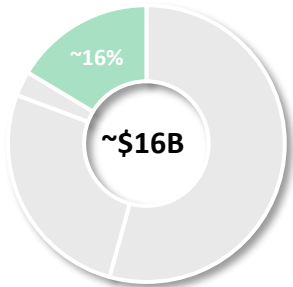
Commercial Spend by Site of Care⁽¹⁾

1) CVS Health: Coram Study, Option Care Health Investor Presentation, July 2020; Coherent Market Insights Report, Deloitte Analysis

Overview of Infusion Care Settings: Home Infusion

Home infusion therapy continues to grow rapidly driven by consumer preference and development of new therapies.

- The home infusion market is \$16B-plus currently and has experienced tremendous growth in the past 10 years, with the COVID-19 pandemic accelerating that expansion most recently
- Trained nurses meet the patient in the location that is most convenient to them -their home- enabling patients to decrease or totally avoid hospital or nursing home stays and resume normal routines and work behaviors while still treating their illness
 - › This drives therapy adherence given the patient is not required to travel and they are able to receive the infusion at a time that is convenient to them
- Large whitespace opportunity with ~45% of U.S. home infusion market consisting of 800-plus independently operated infusion companies



Commercial Spend by Site of Care⁽¹⁾

Relevant Specialties / Therapies

- Biologics
- IVIG and SCIG
- Bleeding Disorders
- Antibiotics

Advantages of Home Setting

- ✓ Easier to establish and can set it up more quickly (i.e., not having to build out a center)
- ✓ Not dependent on patient travel
- ✓ Complementary extension of hospital and AIC / OIC setting
- ✓ Better adherence than hospitals
- ✓ Continued expansion of Part B coverage for home infusion and overall shift to home-based care
- ✓ Decreased hospitalizations / rehospitalizations
- ✓ In the future, potential for growth in biosimilars volume if reduced acquisition costs enable more of these therapies to be profitably administered in the home setting

Disadvantages of Home Setting

- › Requires development of extensive nurse network to operate efficiently at scale
- › Newer therapies tend to be administered predominantly in hospital and AIC / OIC settings when first introduced
- › Typically lower margin profile relative to other care settings given reimbursement rates

Strategic Implications of Care Setting Evolution for Providers

While the majority of platforms have emerged as a single-setting provider, the multichannel strategy has become more prevalent and will likely continue to grow in importance as the sector evolves.

- While there are advantages relative to each care setting, multichannel providers are increasingly positioned to capture value by treating the patient wherever is most convenient, offering a more diverse set of therapies and providing greater continuum of care to referral sources and payors
- In addition, some providers are also positioning themselves to help hospitals manage the transition to alternate sites of care in order to retain infusion revenue that is migrating to third-party AIC, OIC, and home infusion providers

Commentary

1

Continuum of Care

- › The ability to treat patients across the continuum of care, particularly in outpatient and home settings, will likely become more valued by payors and referral sources as therapy availability, pricing, and patient preferences evolve
- › Payors, referral sources, and patients value flexibility to receive treatment in a setting that best suits their needs and in the most cost-effective manner
- › As drug therapies continue to evolve, the ability to profitably serve the patient in any care setting will help drive adherence
- › Will serve as a point of differentiation vs. single-channel platforms

2

Evolution of Drug Therapies

- › A number of currently profitable therapies in the AIC / OIC setting are likely to become more economically viable in the home setting over time
- › As more biosimilars are introduced to the market, creating greater competition in certain therapy classes where there are currently limited alternatives to patented drugs, the spread between acquisition cost and reimbursement rate may increasingly allow these therapies to be profitably delivered via home infusion
- › Therapeutic practices will continue to evolve and enable more drug therapies to be safely administered in the comfort of the patient's home
- › As a result, outpatient providers (AIC and OIC) have begun to express interest and / or invest in expanding home capabilities to be prepared to follow their patients as administration of certain therapies migrates into the home setting over time

Leading Infusion Platforms Share Common Themes and Strengths

Regardless of care setting focus, there are many commonalities among the leading infusion platforms that have enabled them to capitalize on the rapid growth in the sector.

Commentary



Strong Payor Contracts

- › Strong payor relationships support market expansion as platforms look to build density
- › In-network status ensures patient access and stable reimbursement dynamics
- › National payor agreements mitigate perceived risks and provide leverage



Well-Established Referral Network

- › Importance varies based on care delivery setting (e.g., less critical from provider perspective in hospital and OIC settings vs. AIC and home)
- › Physicians, nurses, payors, and, to a lesser extent, patients serve as valuable referral sources to drive volume



Strength of Clinical Resources

- › Trained and equipped staff of nurses, pharmacists, physicians, and other clinical staff allow platforms to provide comprehensive care, drive patient satisfaction, and deliver favorable outcomes



Diversification of Therapies

- › Ability to offer wide range of therapies expands addressable patient population
- › Therapies with strong pipelines of biologics drive revenue and growth
- › Limited acute therapies with focus on chronic patient mix



Strong Relationships With Drug Manufacturers

- › Established relationships, size, and scale enable purchasing power with manufacturers
- › Strong manufacturer relationships can provide differential access to certain limited availability therapies for well-positioned providers



Developed Infrastructure

- › Strong management team, systems, and capability set across multiple care sites support growth and care coordination



RCM Capabilities

- › Complexity of claims requirements demand strong RCM capabilities to avoid potential revenue recognition disruptions
- › Strength in prior authorization is important to payors when looking for a partnership

Trends Driving Investor Interest in Infusion Therapy Providers

Investor interest remains strong for specialty pharmacy models, like infusion therapy, that are creating sticky patient relationships, opening new revenue streams, and reducing cost of care for health systems.

- Driven by ongoing pharmaceutical trends, like the shift toward targeted therapeutics for newly treatable conditions, specialty pharmacies grew quickly and became attractive investment opportunities
- Payers have found ways to put pressure on reimbursement, or cut reimbursement entirely, making traditional specialty pharmacies thin-margin businesses that add little to the healthcare system other than customer service and dispensing medication
- As a result, pharmacy business models, such as infusion therapy that create critical, sticky relationships with health systems, manufacturers, or patients, are becoming more prominent
- These growing segments are adding significant value to the healthcare ecosystem by opening new revenue streams and managing personalized relationships with patients, generating immense patient loyalty
- Infusion therapy providers are adding value through expert clinical care, more patient-friendly and comfortable experiences, and close interactions with their patients
- Due to this increased involvement, infusion platforms are able to create higher levels of patient satisfaction, driving better adherence and enabling care to be delivered in lower cost settings outside of the hospital

Expert Clinical Care
Results in Better
Patient Outcomes



Patient-Friendly Environment
Drives Adherence and Increases
Patient Satisfaction



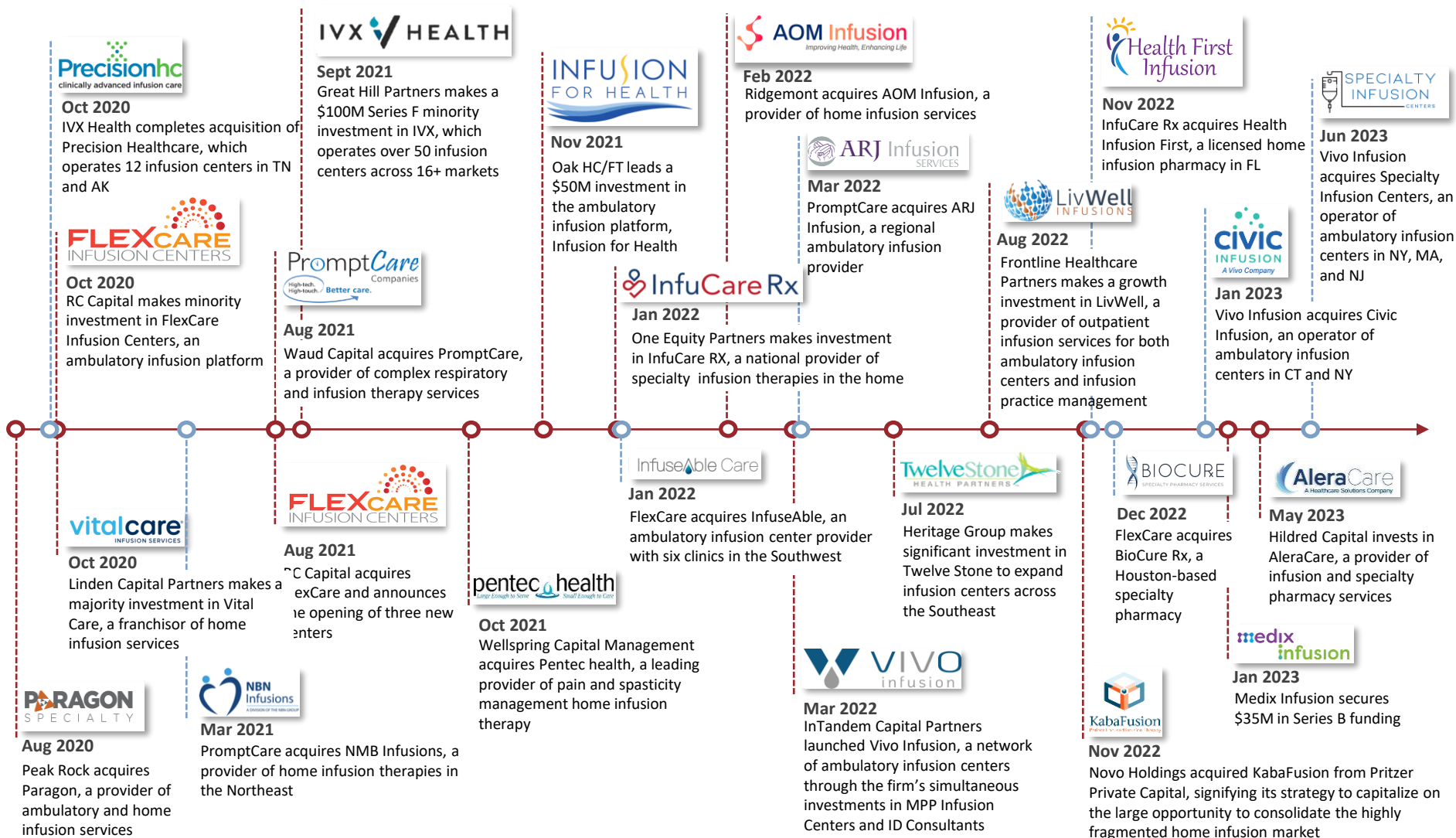
High-Touch Interaction
Increases Patient
Satisfaction and Creates
Sticky Patient
Relationships



Lower-Cost Environment
Reduces Stress to the
Healthcare Ecosystem

Infusion Platform Transaction Activity Accelerated in 2021 and 2022

The overall infusion market size, growth, therapy pipeline, and ongoing shift out of the hospital has driven significant M&A activity.



Precedent Transaction and Public Comparables Multiples

Momentum in the pharmacy sector and particularly in infusion services has resulted in increased multiples over the past five years with more recent deals trading at a median EV / LTM EBITDA multiple of 14.8x.

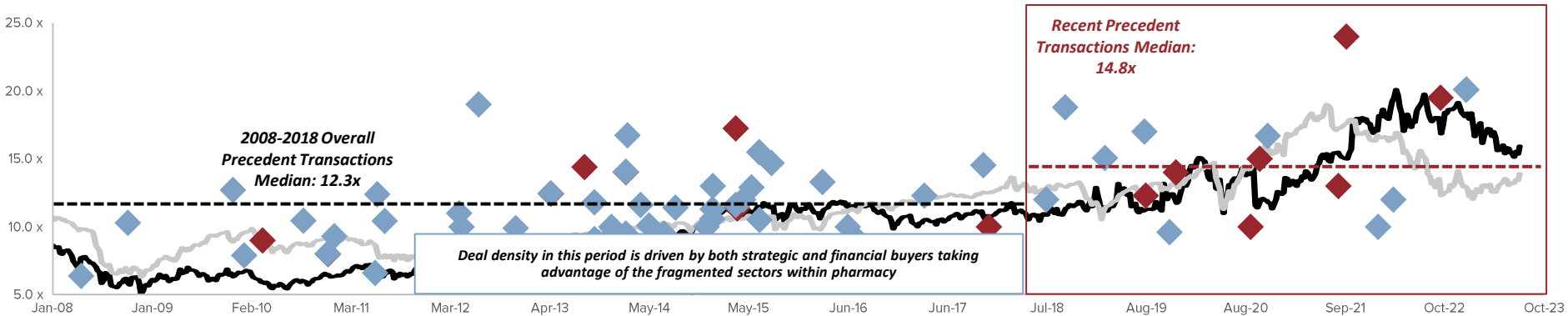
Recent Pharmacy Deals

Enterprise Value / LTM EBITDA

◆ **Infusion Services Precedent Transactions**
(Precedent Transaction Median: 12.7x)

◆ **Other Pharmacy Precedent Transactions**
(Precedent Transaction Median: 11.2x)

Public Comps, as of 4/4/2023
S&P 500 Current: 13.8x
Infusion Services¹ Current Median: 15.8x



Infusion Services Precedent Transactions

Targets

amerita, AXELA Care, BioRx, bio.scrip, CarePoint Partners, CHS, Coram, Critical Care Systems, DIPLOMAT, IVX HEALTH, KabaFusion, option care, PARAGON, pentec.health, PharMerica, PromptCare, Vital Care, accredo, APRIA HEALTHCARE, bio.scrip, CVSHealth, DIPLOMAT, EP EXCELERE PARTNERS, Great Hill, HARVEST, KKR, LINDEN, MDP, N|E|P, novo holdings, option care, OPTUMRx, PEAK ROCK CAPITAL, PharMerica, Walgreens Boots Alliance, Wood Capital

Acquirers

Other Pharmacy Precedent Transactions

Targets

ALION, ALLIANT, AMGEN, Artex Medical, Avita, AXELA Care, Biomed America, BioPlus, bio.scrip, Burman's Apothecary, CAREMARK, CARMICHAEL'S, Catalyst, Catalist, CDMJ, celestio, Coram, ENVISION, genCo, HEALTHCARE SOLUTIONS, HELIOS, IWI, LDI, Longs, MAXOR, medco, medfusion, MergeWorthRx, OMNICARE, PANTER, PharmMEDium, PMSI, POLYMEDICA, restat, Rexall, Rubicon, SHIELDS, SHOPPERS, THERAPIN, TNH Advanced Specialty Pharmacy, Total Medical Service, Vericus, WILDORX

Acquirers

ACON, BioPlus, AeroCare, ALLIANT, AndSourceBergers, BPOC, Cardinal, CarePoint Partners, CARLYLE, Catalist, CENTENE, CVSHealth, DIPLOMAT, Elevance Health, EP EXCELERE PARTNERS, EXPRESS SCRIPTS, FRAZIER, BRIDBID, HARVEST, HYBRID CAPITAL, infusion, Lablaw, Longs, Magellan, MCKESSON, medco, MOELLER CAPITAL PARTNERS, NAUTIC, neighborly, NEW HARBOR, Omnicare, OPTUMRx, PUNDM, PHARMEDICAL, RITE AID, TAIKWIND CAPITAL, UNITEDHEALTH GROUP, WINDROSE, WCAS

1) Infusion Services public comparables include CVS Health (Coram), Option Care, and UnitedHealth Group (OptumRx), with financial data sourced from company filings

Infusion Market Map – Notable Participants

Home Infusion

Ambulatory Infusion Center (AIC)

Office Infusion Center (OIC)

Diversified

Please contact our senior professionals at PharmacyInsights@harriswilliams.com to request the full market map

Harris Williams Pharmacy Experience

HW's recent deal experience provides additional insight into key investors' playbooks and hot buttons while reinforcing our thought leadership with practical experience.

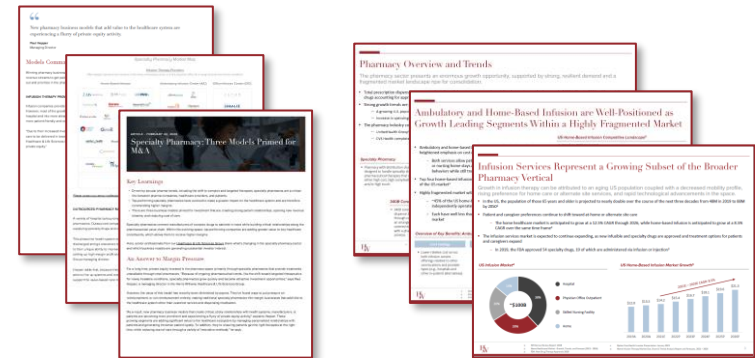
Recent Pharmacy Deals

 a portfolio company of GTCR has been acquired by BlackRock	 has been acquired by BD	 a portfolio company of TAILWIND CAPITAL has been acquired by a portfolio company of Kinderhook INDUSTRIES	 a portfolio company of NexPhase CAPITAL has been acquired by FRAZIER HEALTHCARE PARTNERS
 a portfolio company of WATER STREET Walgreens has been acquired by OMERS Private Equity	 has been recapitalized by EXCELLERE PARTNERS and VISTRIA	 has been acquired by NAUTIC	 a portfolio company of KEYSTONE CAPITAL has been acquired by
 a portfolio company of BRAZOS PRIVATE EQUITY PHARMACEUTICALS has been acquired by 	 a portfolio company of TA ASSOCIATES has been acquired by ROPER	 has been recapitalized by 	 a division of CATALINA a portfolio company of HELLMAN & FRIEDMAN has been acquired by inVentiv Health a portfolio company of THL PARTNERS
 a portfolio company of PTC has merged with Progressive Medical in a recapitalization by Kelso & Company and Stone Point Capital	 a portfolio company of Waud Capital has been acquired by bio scrip	 has been acquired by NexPhase CAPITAL	 a portfolio company of DWHP FRAZIER HEALTHCARE has been acquired by NIEP Norwest Equity Partners

Pharmacy Thought Leadership

HW has advised clinical leaders across the pharmacy industry, performed deep sector mapping with the most relevant investors, and published relevant sector thought pieces

15+ Years
Long-Term Activity in the Pharmacy Sector



Select Buyers Engaged on Recent Deals

8 INDUSTRY GROUPS

With Robust Experience
Across the Globe

3 DECADES

of Providing Award-Winning
M&A Advisory Services

1 UNIFIED TEAM

Bringing Firmwide Dedication
to Every Engagement

HW Harris Williams

Positioning + Execution = Value

Represent Companies With Integrity

In-Depth Industry Knowledge

Execution Excellence

Pharmacy Coverage



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