Exploring Post-Acute Care

JULY 2019

Harris Williams

Table of Contents

I DISCUSSION MATERIALS

II HOME HEALTH & HOSPICE VALUATION APPENDIX

Exploring the Impact of Value-Based Care on the Post-Acute Healthcare Landscape

THE TRANSITION FROM FEE-FOR-SERVICE TO VALUE-BASED CARE IS GRADUALLY RESHAPING THE POST-ACUTE HEALTHCARE LANDSCAPE.

- Understanding where we are today and where we are ultimately headed will be important for providers and investors who are trying to navigate an evolving landscape

UNDERSTANDING THE POST-ACUTE CARE LANDSCAPE

- Introduction to the post-acute care landscape and continuum of care
- Key components of value-based care in post-acute care settings

WHERE ARE WE TODAY?

- Growing role of post-acute care settings in managing cost of care
- Misalignment of the legacy reimbursement model

WHERE ARE WE HEADED?

- Regulatory backdrop and trends in reimbursement and utilization
- Evolution and future of value-based care in post-acute settings

KEY CONSIDERATIONS FOR INVESTORS

- Scorecard for the post-acute care landscape
- How should investors evaluate post-acute care opportunities?

Purpose and Scope

OUR GOAL IS TO PROVIDE AN OVERVIEW OF THE POST-ACUTE CARE LANDSCAPE AND FRAMEWORK FOR EVALUATING INVESTMENT OPPORTUNITIES IN THE CONTEXT OF THE ONGOING SHIFT TOWARDS VALUE-BASED CARE.

PURPOSE

- Provide an overview of the post-acute landscape and continuum of care
- Discuss the post-acute continuum's role in managing cost of care
- Explore the ongoing shift away from fee-for-service reimbursement towards value-based care
- Provide a framework for evaluating investment opportunities based on a set of value-based criteria

SCOPE

- For the purposes of discussion, we have focused exclusively on Medicare
  - Medicare represents the largest share of post-acute care spending
  - Commercial payors disclose limited amounts of information on post-acute care spending and utilization
- We have not focused on Medicaid providers who primarily provide unskilled care for less acute patients, but still create value by helping patients in lower cost settings

Understanding the Post-Acute Healthcare Landscape

POST-ACUTE CARE (PAC) FULFILLS AN IMPORTANT ROLE IN THE PROVISION OF HEALTHCARE OUTSIDE OF THE HOSPITAL SETTING AND REPRESENTS $76.8 BILLION IN ANNUAL MEDICARE SPEND.

CONSTITUENTS

PAYORS

- Government Payors (Medicare / Medicaid / VA)
- Commercial Insurers (BCBS / Aetna)
- Individuals (Co-pays or Non-Covered Services)
- Workers' Compensation Plans

PROVIDERS

- Physicians, PAs, nurses, and other PAC providers
- Acute care and other community based providers that represent referral sources for PAC

PATIENTS

- Elderly and/or chronically ill patients comprise the largest share of patients
- Wide spectrum of different care needs

POST-ACUTE CARE SETTINGS

LONG-TERM CARE HOSPITAL	INPATIENT REHAB FACILITY	SKILLED NURSING FACILITY	HOME HEALTH & HOSPICE	UNSKILLED HOME CARE
Long-term care hospitals (LTCHs) provide care to beneficiaries who need hospital-level care for relatively extended periods	Inpatient rehabilitation facilities (IRFs) provide intensive rehabilitation services to patients after illness, injury, or surgery	Skilled nursing facilities (SNFs) provide short-term skilled nursing care and rehabilitation services	Consists of services provided to beneficiaries in their homes as well as palliative and support services for beneficiaries who are terminally ill	In-home support services to assist patients who suffer from injuries or health conditions that impair their ability to perform daily living activities

WHO DECIDES WHO GOES WHERE?

Three key constituents are involved in the decision-making process that governs how patients move through the post-acute care continuum

PROVIDERS

- Clinicians play the primary role in making decisions on behalf of patients or directing them into specific care settings

PATIENTS

- Patients often play a passive role or are forced to make decisions without adequate time or information

PAYORS

- Payors typically restrict options for patients to a narrow network of providers after patients and clinicians make a decision on care setting

KEY COMPONENTS OF VALUE-BASED CARE IN PAC

Value-based care measures outcomes and ties reimbursement to quality

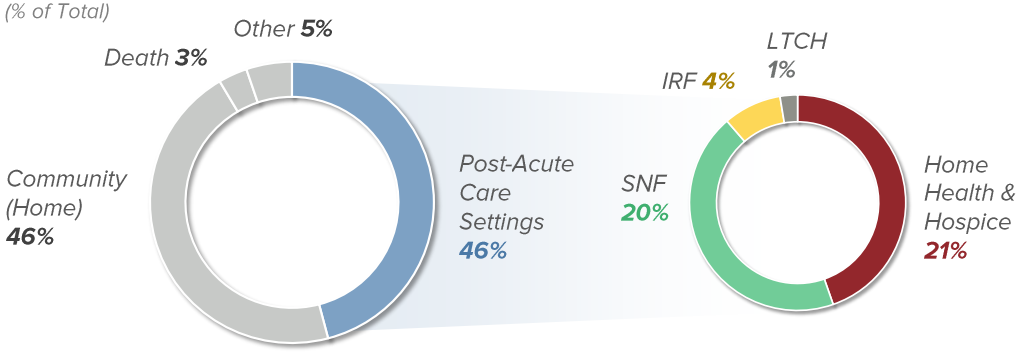
- *Creating a Continuum of Care*
- *Increased Care Coordination*
- *Aligning Reimbursement with Clinical Quality and Cost*
- *Tracking and Measuring Outcomes*

The Post-Acute Continuum of Care

THE POST-ACUTE CONTINUUM OF CARE ADDRESSES A FULL SPECTRUM OF PATIENT ACUITIES.

INPATIENT DISCHARGES BY SETTING

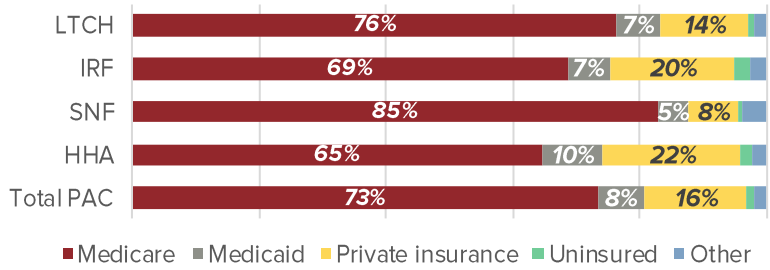
Initial Patient Destinations Following an Inpatient Hospital Stay for Medicare Beneficiaries (% of Total)



PAYOR MIX BY DISCHARGE SETTING

Payor Mix by Discharge Disposition (% of Total)

Medicare accounts for ~73% of discharges into PAC settings



POST-ACUTE HEALTHCARE CONTINUUM

HIGHEST ACUITY → LOWEST ACUITY

	ACUTE-CARE HOSPITAL	LONG-TERM CARE HOSPITAL (LTCH)	INPATIENT REHAB FACILITY (IRF)	SKILLED NURSING FACILITY (SNF)	HOME HEALTH / HOSPICE (HHA)
SHARE OF MEDICARE DISCHARGES INTO POST-ACUTE CARE	DISCHARGE	0.1M 2.6%	0.4M 8.7%	1.9M 44.0%	1.9M 44.7%
SHARE OF MEDICARE POST-ACUTE CARE SPEND		$5.1B 6.6%	$7.7B 9.9%	$29.1B 38.5%	$34.9B 45.0%

Sources: MEDPAC, Agency for Healthcare Research and Quality (AHRQ)

PAC Plays an Important Role in Managing Cost of Care…

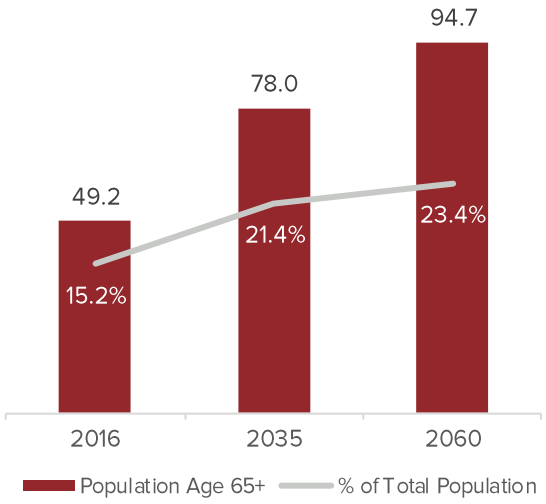
FOCUS ON MANAGING RISING HEALTHCARE COSTS, COUPLED WITH AN AGING U.S. POPULATION, IS PUSHING MORE PATIENTS INTO LOWER-COST SETTINGS.

- The number of adults aged 65+ will exceed the number of children for the first time by 2035, and older adults will comprise ~23% of the total population by 2060
- As the population continues to age and healthcare utilization increases, lower-cost post-acute healthcare settings will be critical for serving population health needs
- The percentage of inpatient discharges into post-acute settings has grown from 38.5% in 2006 to 45.9% in 2016

AGING U.S. POPULATION

U.S. Population Age 65+ (millions of individuals)

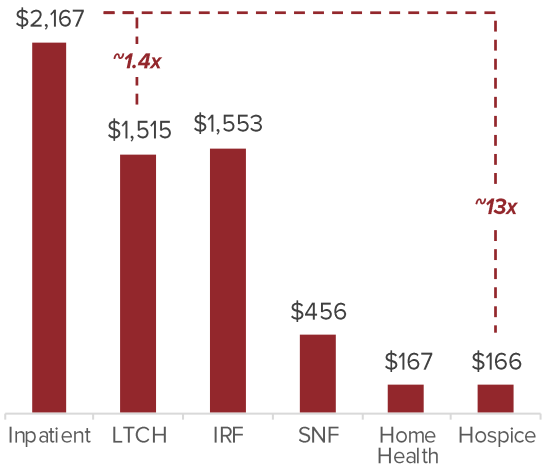
Age 65+ population will increase by ~2x and comprise 23.4% of the total U.S. population by 2060



COST OF CARE BY SETTING

Average Cost per Day

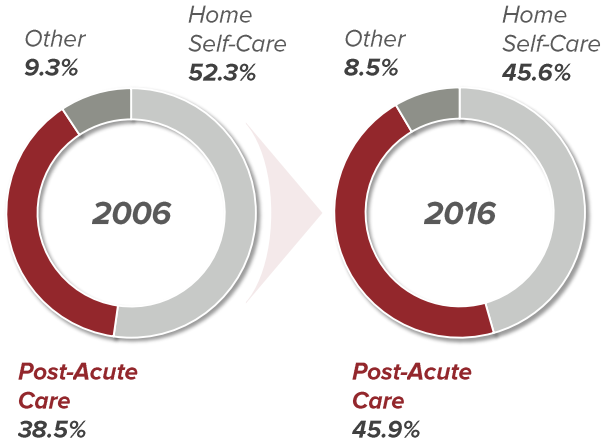
Post-acute care settings are ~1.5-13x more cost effective than the hospital setting



INPATIENT DISCHARGES

Inpatient Discharge Destination for Medicare Beneficiaries (% of total)

The share of inpatient discharges into post-acute care settings has increased from 38.5% to 45.9% over the last 10 years



Sources: U.S. Census Bureau, MEDPAC

…But, Today's System is Not Designed for Value-Based Care

ALTHOUGH POST-ACUTE CARE WILL CONTINUE TO PLAY AN IMPORTANT ROLE IN MANAGING POPULATION HEALTH COSTS, TODAY'S REIMBURSEMENT SYSTEM IS STILL LARGELY BASED ON FEE-FOR-SERVICE.

- Misaligned incentives from fee-for-service arrangements can undermine the ability of post-acute care settings to effectively manage population health

Few Evidence-Based Guidelines

- Lack of evidence-based guidelines makes it difficult to ascertain:
  - When post-acute care is needed and will result in better outcomes
  - Which setting is appropriate
  - How much care is required

Inefficient Patient Placement

- Placement decisions often reflect nonclinical factors and not necessarily where the patient will receive the best care, including:
  - Local practice patterns and availability in a market
  - Proximity to a beneficiary's home
  - Patient and family preferences
  - Financial relationships between providers and referring hospitals

Misaligned Clinical Practices

- Misaligned incentives encourage some providers to:
  - Choose treating patients with certain characteristics instead of others
  - Provide therapy services that are not related to a patient's condition
  - Code more aggressively
  - Extend length of stay

Future Reimbursement Reform

Key Objectives of Value Based Care

- Measure outcomes with a uniform assessment tool across settings
- Adjust payments to more closely align reimbursement with cost of care and clinical outcomes
- Reimburse based on a patient's condition, not the setting or the amount of care provided

Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014

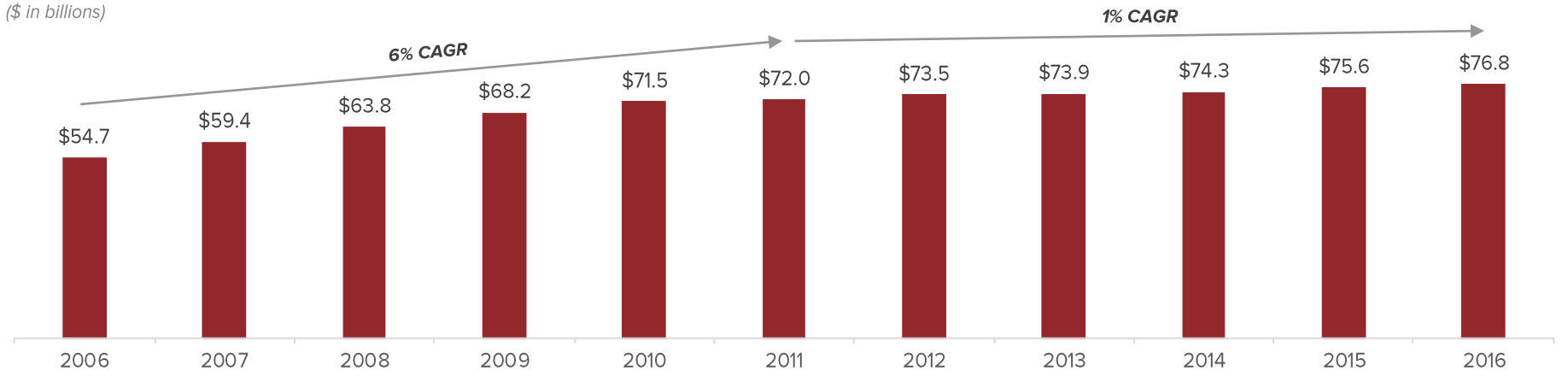
- Mandates the creation of a standardized post-acute care assessment tool to measure outcomes and cost-effectiveness associated with different settings
- MEDPAC required to evaluate and recommend features of a prototype for a unified PAC payment system to Congress for consideration

Medicare FFS Dollars are Scarce and Shifting Across Settings

FOCUS ON CONTROLLING MEDICARE POST-ACUTE SPENDING IS DRIVING A SHIFT TOWARDS MANAGED CARE, WHICH CREATES OPPORTUNITIES FOR FORWARD THINKING PROVIDERS IN LOWER COST SETTINGS.

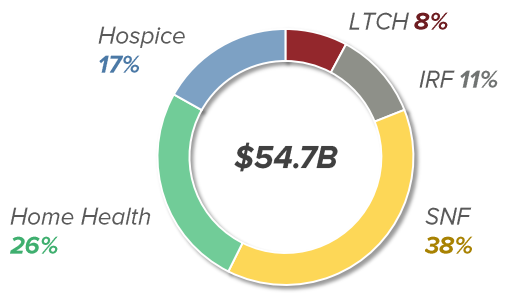
MEDICARE POST-ACUTE CARE EXPENDITURES: FLAT OVERALL SPEND

Total Medicare Post-Acute Care Expenditures
($ in billions)

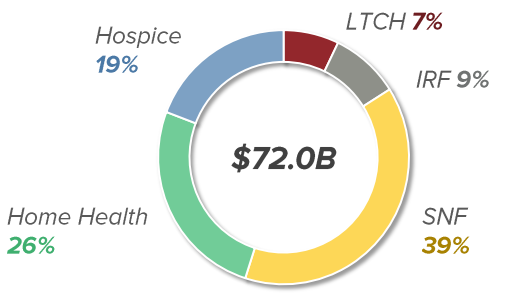


MEDICARE POST-ACUTE SPENDING MIX SHIFT: TO HOSPICE

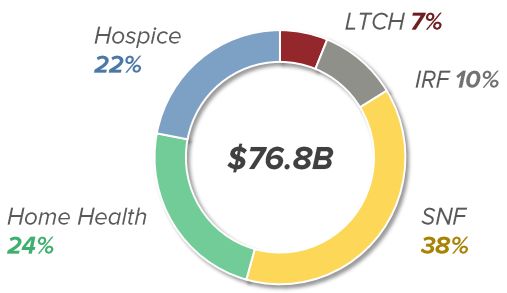
2006



2011



2016

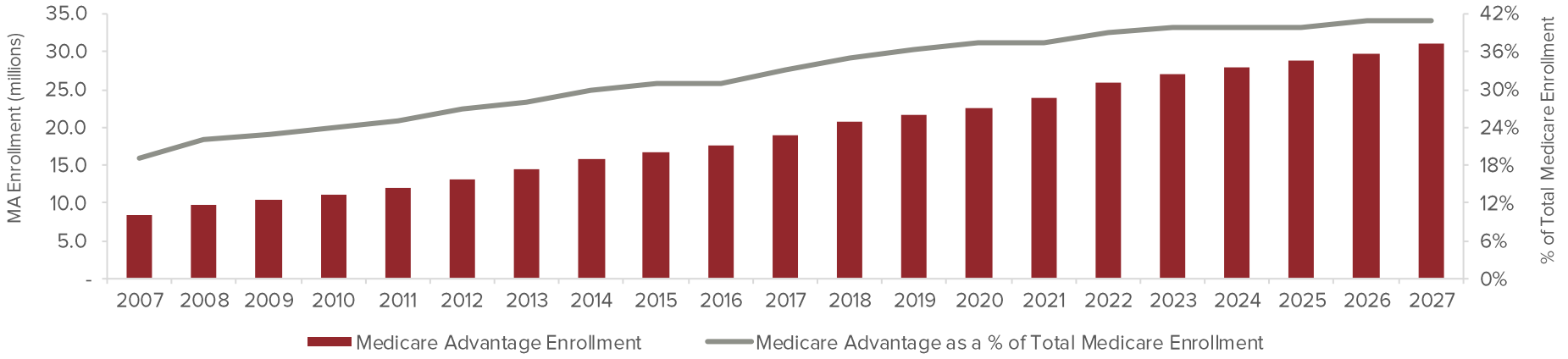


Sources: MEDPAC, CMS

Growing Medicare Advantage (MA) Enrollment Puts Pressure on Providers

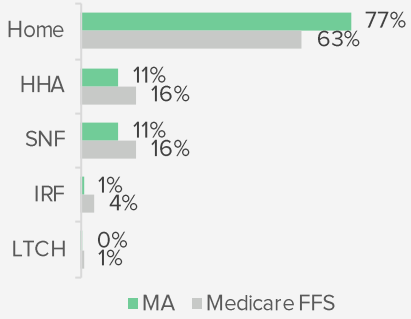
MEDICARE ADVANTAGE PLANS PAY LOWER RATES RELATIVE TO TRADITIONAL FFS MEDICARE BUT CREATE OPPORTUNITIES FOR PROVIDERS TO EFFECTIVELY MANAGE CARE.

MEDICARE ADVANTAGE ENROLLMENT



MA Post-Acute Care Utilization

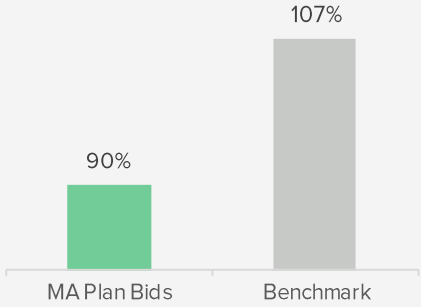
Inpatient Discharge Destination by Payor



- Medicare Advantage enrollment has increased by ~2.5x since 2007 and is expected to represent more than 30 million covered lives and 40+% of total Medicare enrollment by 2027
- MA plans are financially incentivized to manage spending by controlling utilization and costs
  - MA plans carefully manage benefits and utilization, resulting in reduced utilization and shorter lengths of stay for MA patients relative to Medicare FFS patients
  - MA plan bid projections average 90% of projected FFS spending for 2018

MA Plan Bids Relative to Benchmarks

As a % of Projected FFS Spending in 2018



Sources: MEDPAC, Avalere Health

Regulatory, Reimbursement, and Utilization Trends
Long-Term Care Hospitals (LTCH)

MEDICARE SPEND HAS DECLINED AS A RESULT OF EFFORTS TO CURB UTILIZATION BY CREATING STRICTER CRITERIA TO QUALIFY FOR LTCH PAYMENT RATES.

REGULATORY BACKDROP

- The Pathway for SGR Reform Act of 2013 established a new set of criteria for discharges to qualify for the LTCH payment rate
  - Stricter set of criteria has curbed utilization by reducing the number of qualified discharges, resulting in a decline in Medicare spend from 2011 – 2016
- Cases that do not qualify for the LTCH payment rate will receive site-neutral payments
  - Use of site-neutral payments and collection of outcomes data will inform subsequent site-neutral payment models

KEY PLAYERS

Kindred Healthcare / Humana. WCAS / TPG / Post Acute Medical

Select Medical (Improving Quality of Life) / Vibra Healthcare / Promise Healthcare

Ernest Health (We are personally patient caregivers) / One Equity Partners / Vibra Healthcare

Cornerstone Healthcare Group / CURAHEALTH Hospitals

BY THE NUMBERS

$5.1BN
Medicare Spend (2016)

(0.6%)
5-Year CAGR Medicare Spend

~400
Number of Providers

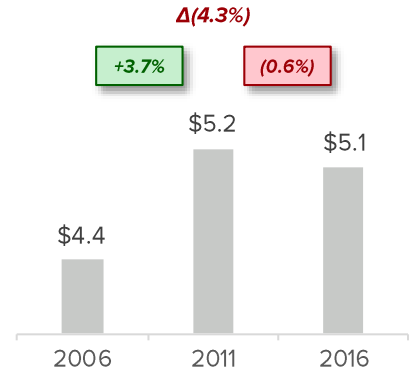
111K
Number of Medicare Users (2016)

6.6%
of Medicare Post-Acute Care Spend

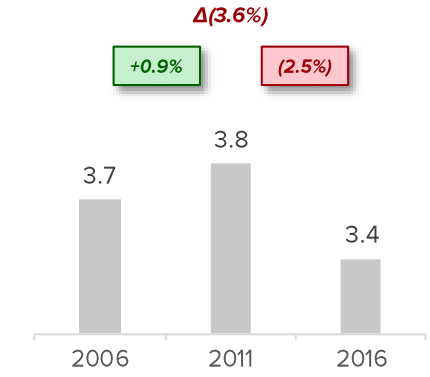
2.6%
of Medicare Discharges into Post-Acute Care

REIMBURSEMENT AND UTILIZATION TRENDS

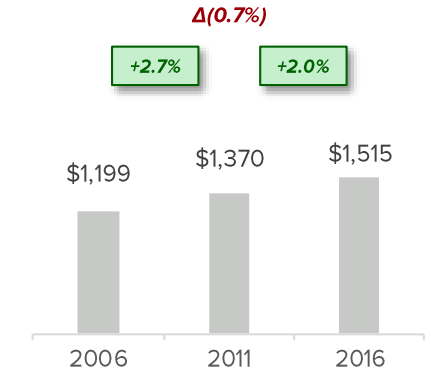
TOTAL MEDICARE SPEND ($B)



TOTAL COVERED DAYS (MM)



PER DIEM REIMBURSEMENT ($)



Regulatory, Reimbursement, and Utilization Trends
Inpatient Rehabilitation Facilities (IRF)

IRFs HAVE NOT BEEN SUBJECT TO SIGNIFICANT REFORM OVER THE LAST 10 YEARS AND UTILIZATION HAS REMAINED RELATIVELY FLAT.

REGULATORY BACKDROP

- IRFs represent a smaller share of Medicare spending compared to other post-acute settings and have not been the subject of substantial reform over the last 10 years
- SCHIP Extension Act of 2007 lowered the compliance threshold for the percentage of discharges requiring treatment for one of 13 specified conditions from 75% to 60%, which is now referred to as the "60% rule"
  - CMS has more stringently enforced compliance thresholds and removed some diagnosis codes that are used to determine compliance, putting additional pressure on providers

KEY PLAYERS

Encompass Health

Mercy

PROVIDENCE Health & Services

POST ACUTE MEDICAL

Few Providers of Scale, with Most IRFs in Acute Care Hospitals

BY THE NUMBERS

$7.7BN
Medicare Spend (2016)

3.7%
5-Year CAGR Medicare Spend

1,200
Number of Providers

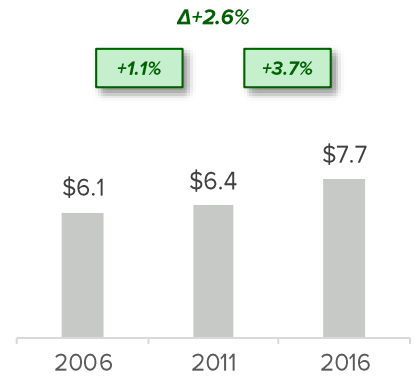
350K
Number of Medicare Users (2016)

9.9%
of Medicare Post-Acute Care Spend

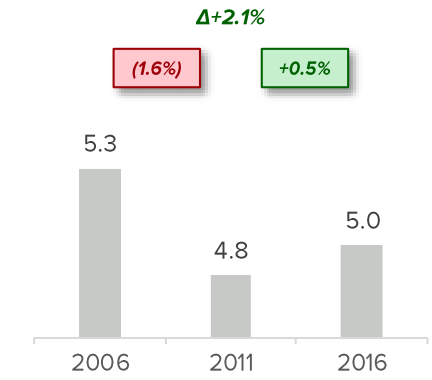
8.7%
of Medicare Discharges into Post-Acute Care

REIMBURSEMENT AND UTILIZATION TRENDS

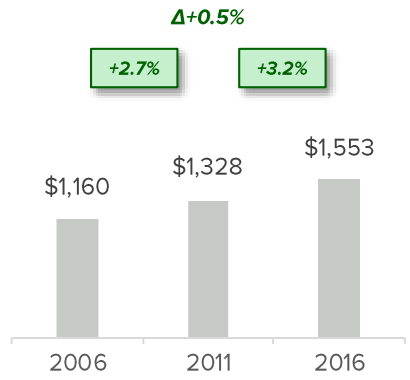
TOTAL MEDICARE SPEND ($B)



TOTAL COVERED DAYS (MM)



PER DIEM REIMBURSEMENT ($)



Regulatory, Reimbursement, and Utilization Trends
Skilled Nursing Facilities (SNF)

FEWER HOSPITALIZATIONS HAVE DRIVEN A DECLINE IN SKILLED NURSING FACILITY UTILIZATION AND CURTAILED GROWTH IN MEDICARE SPEND.

REGULATORY BACKDROP

- New Patient-Driven Payment Model (PDPM) case-mix classification system effective October 1, 2019 reduces the complexity of the payment system and aligns incentives
  - Change from therapy-driven reimbursement to condition-specific reimbursement will shift dollars from therapy services to nursing
- SNF Value-Based Purchasing Program (VBP) started in 2014 applies to all SNFs
  - Providers are measured based on hospital readmissions within 30 days of discharge and are eligible for incentives based on performance

KEY PLAYERS

BM Eagle Holdings / Blue Mountain Capital Management LLC

Genesis

Life Care Centers of America

SavaSeniorCare Administrative Services LLC

Consulate Health Care — At the Heart of Caring

golden living centers

The Evangelical Lutheran Good Samaritan Society — In Christ's Love, Everyone Is Someone.

Ensign Group

BY THE NUMBERS

$29.1BN
Medicare Spend (2016)

0.8%
5-Year CAGR Medicare Spend

~15,000
Number of Providers

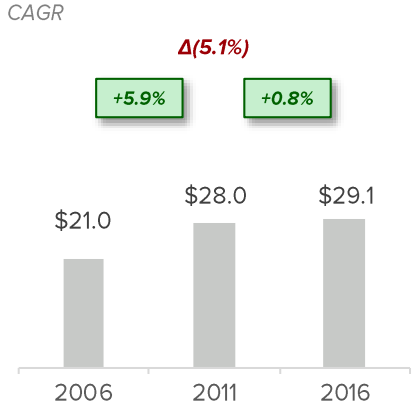
64M
Number of Medicare Covered Days (2016)

38.5%
of Medicare Post-Acute Care Spend

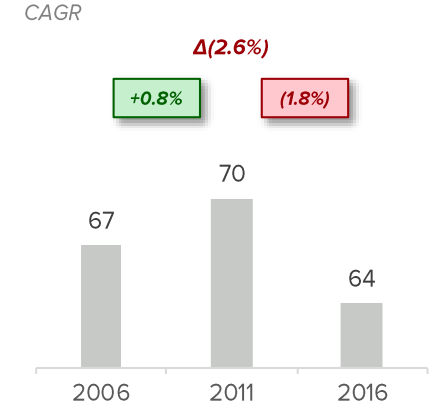
44.0%
of Medicare Discharges into Post-Acute Care

REIMBURSEMENT AND UTILIZATION TRENDS

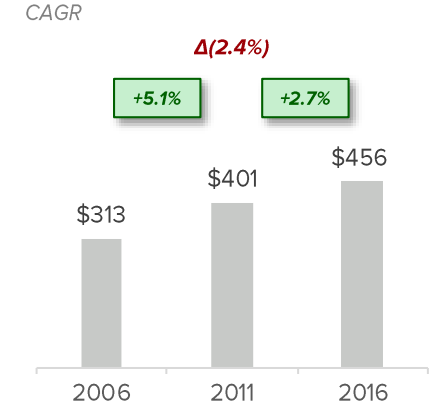
TOTAL MEDICARE SPEND ($B)



TOTAL COVERED DAYS (MM)



PER DIEM REIMBURSEMENT ($)



Regulatory, Reimbursement, and Utilization Trends
Home Health

SCRUTINY ON UTILIZATION OF THE HOME HEALTH BENEFIT HAS DRIVEN DECREASED UTILIZATION AND A REDUCTION IN MEDICARE SPEND.

REGULATORY BACKDROP

- New Patient Driven Groupings Model (PDGM) groupings model will be implemented in 2020
  - Annual update expected to increase payments to agencies by 2.2%, or $420 million, in CY 2019
  - Moves home health from a therapy-based payment system to a condition-specific payment system
  - Shifts from 60-day to 30-day episodes
- Pilot value-based purchasing project in nine states continues to progress towards the goal of rolling out a value-based model across all states

KEY PLAYERS

Encompass Health; amedisys (Home Health · Hospice · Personal Care); LHC Group; AccentCare / Advent International (Global Private Equity); Kindred at Home / Humana / WCAS / TPG; Elara Caring / KELSO / Blue Wolf; BAYADA Home Health Care

BY THE NUMBERS

$18.1BN
Medicare Spend (2016)

(0.3%)
5-Year CAGR Medicare Spend

~12,200
Number of Providers

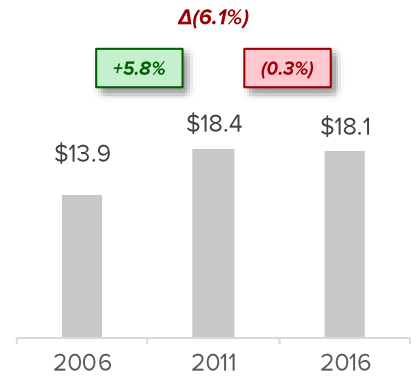
3.4M
Number of Medicare Users (2016)

23%
of Medicare Post-Acute Care Spend

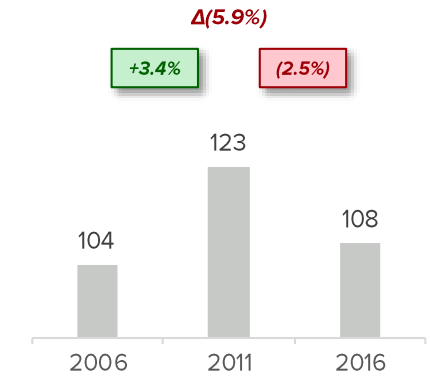
23%
of Medicare Discharges into Post-Acute Care

REIMBURSEMENT AND UTILIZATION TRENDS

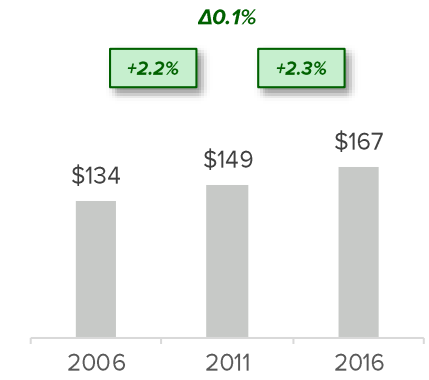
Total Medicare Spend ($B)



Total Covered Days (MM)



Per Diem Reimbursement ($)



Regulatory, Reimbursement, and Utilization Trends
Hospice

GROWTH IN HOSPICE SPENDING HAS BEEN DRIVEN BY AN INCREASE IN UTILIZATION AS MORE PATIENTS ELECT TO USE THEIR HOSPICE BENEFITS.

REGULATORY BACKDROP

- 2016 payment system reform targeted the Routine Home Care (RHC) level of care, which accounts for 98% of all hospice days, to better align payments with costs throughout an episode
- Shifts from a single, uniform daily rate for RHC to two per diem rates
  - Higher rate for the first 60 days of hospice care
  - Lower rate for days 61 and beyond
- New Medicare Advantage carve-in will allow MA plans to offer hospice benefits starting in 2021

KEY PLAYERS

CURO Health Services / Kindred at Home | Humana / WCAS | TPG | amedisys Home Health · Hospice · Personal Care

CHEMED Corporation | Compassus | Formation Capital | Audax Group

Abode Hospice & Home Health | TAILWIND | LHC Group

Elara Caring | Kelso / Blue Wolf | St. Croix Hospice | Vistria

BY THE NUMBERS

$16.8BN
Medicare Spend (2016)

4.0%
5-Year CAGR Medicare Spend

4,400
Number of Providers

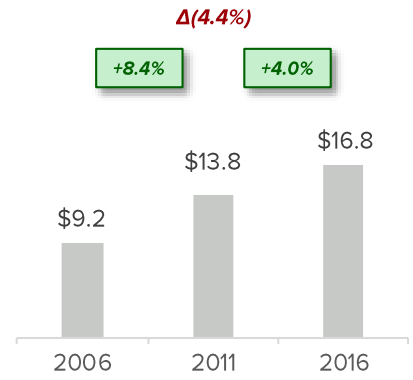
1.4M
Number of Medicare Users (2016)

22%
of Medicare Post-Acute Care Spend

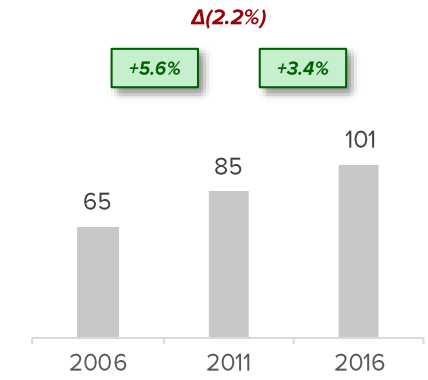
22%
of Medicare Discharges into Post-Acute Care

REIMBURSEMENT AND UTILIZATION TRENDS

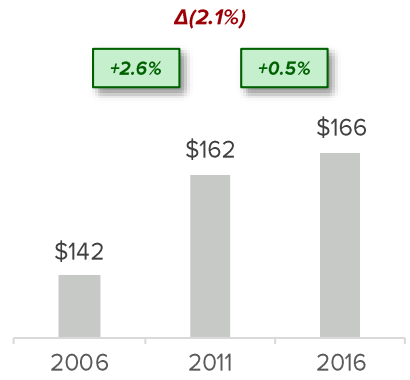
TOTAL MEDICARE SPEND ($B)



TOTAL COVERED DAYS (MM)



PER DIEM REIMBURSEMENT ($)



We're Headed Towards a Value-Based Care World

THE POST-ACUTE LANDSCAPE IS MIGRATING TOWARDS A PROSPECTIVE PAYMENTS SYSTEM THAT IS BUILT AROUND VALUE-BASED CARE.

- We are well under-way in the transition to value-based care, although recent changes have been focused on rationalizing the prospective payment systems within post-acute care settings rather than across the entire continuum
- A unified prospective payment system will entail:
  - Site-neutral payments
  - Reimbursement tied to quality measures and cost of care
  - Care coordination across settings

WHAT ARE THE PILLARS OF A VALUE-BASED WORLD?

Technology

- Adoption of electronic health records is accelerating, but has historically lagged other settings
- Technology plays a critical role in measuring and managing outcomes

Uniform Measurement

- Uniform measurement of outcomes across settings is a pre-requisite to site-neutral payments
- "If you can measure it, you can manage it"

Transparency

- Consumers are becoming more educated on healthcare utilization
- Greater transparency around payments and cost of care will hold providers accountable

Care Coordination

- Seamlessly sharing information between providers and across settings is critical
- Active care management drives better outcomes

Risk Sharing

- Providers will be required to have "skin in the game"
- Incentives that put revenue at risk are an effective way to influence provider behavior

These fundamental components need to exist in order for value-based purchasing models to effectively replace fee-for-service

Participants Have Responded Accordingly

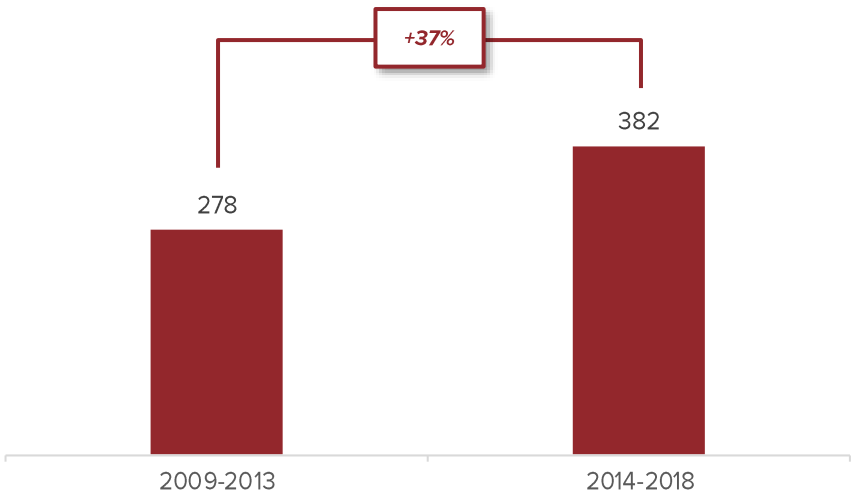
POST-ACUTE CARE PROVIDERS HAVE FOCUSED ON SCALE AND PARTNERSHIPS TO STRATEGICALLY POSITION THEMSELVES ALONG THE CONTINUUM OF CARE IN RESPONSE TO RECENT PAYMENT MODEL CHANGES.

POST-ACUTE M&A ACTIVITY HAS ACCELERATED…

- The cumulative number of post-acute care deals grew from 278 between 2009 – 2013 to 382 from 2014 – 2018
  - Need for greater scale is driving consolidation and attracting capital
  - Non-traditional players are acquiring post-acute care providers in order to better control care delivery as they look to take on more risk (e.g., payors and IDNs)
  - Some providers are divesting assets in segments that have come under pressure in order to strategically reposition themselves (e.g., Kindred)

Cumulative Number of Post-Acute Care M&A Transactions

For the Years Ended December 31, 2009 – 2018

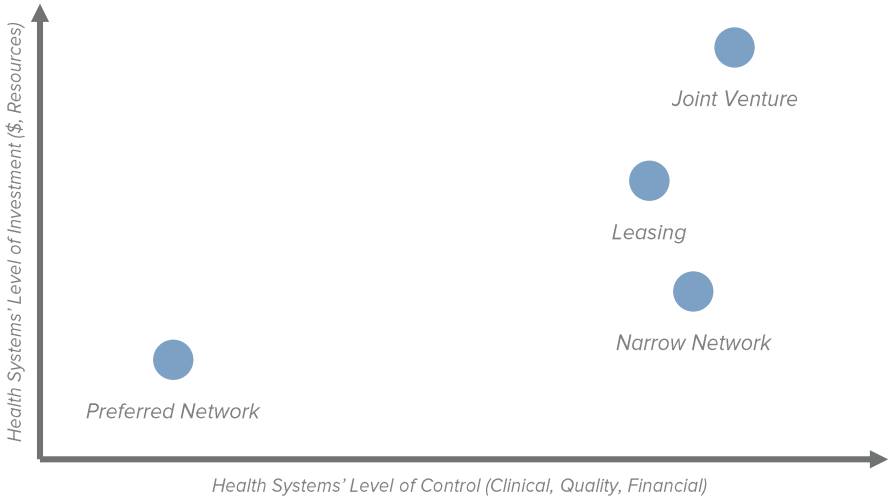


…AND STRATEGIC PARTNERSHIPS ARE INCREASINGLY PREVALENT

- Having a post-acute care strategy is critical for health systems to perform well in a value-based world, but a lot of hospitals prefer partnering with post-acute care providers over owning facilities
  - Partnering with post-acute care providers enables health systems to increase local market presence, better manage utilization, reduce readmissions, and improve patient satisfaction
- JVs are the most capital and resource intensive partnership model, but often drive the best patient care and alignment between partners

Partnership Models Between Health Systems and PAC Providers

Level of Investment vs. Level of Control



Sources: FactSet, Deloitte

Exploring Strategic Angles for Post-Acute Care Participants

A NUMBER OF DIFFERENT GROUPS ARE PURSUING STRATEGIES IN POST-ACUTE CARE FROM DIFFERENT ANGLES.

HOSPITALS / HEALTH SYSTEMS

- Serve as the primary source of discharges into post-acute care settings
- Want to control the entire episode of care even after patients have been discharged from the hospital
- Facing increasing pressure to transition from "heads in beds" to value-based models
- Will often partner with post-acute care providers instead of owning post-acute care facilities

REPRESENTATIVE PLAYERS

Ascension · Cleveland Clinic · Mercyhealth · HCA Hospital Corporation of America · LifePoint Health · Geisinger · CHS Community Health Systems, Inc. · Dignity Health

PAYORS

- Government payors represent the largest portion of post-acute care spending, but commercial payors also comprise a meaningful share of post-acute expenditures with expansion of MA
- The traditional role of payors is changing as the system moves towards value-based care, and more payors are acquiring providers in order to play a more active role in managing covered lives

REPRESENTATIVE PLAYERS

Anthem · Humana · aetna · Cigna · UnitedHealth Group · Optum

POST-ACUTE PROVIDERS

- Post-acute care providers are playing an increasingly important role in the healthcare delivery system as aging population demographics and focus on managing rising healthcare costs are creating increased demand for post-acute care
- Providers are responding to changes in how prospective payment systems are designed by adapting their care delivery models

REPRESENTATIVE PLAYERS

Encompass Health · LHC Group · amedisys Home Health · Hospice · Personal Care · ADDUS HOMECARE · CHEMED Chemed Corporation

FINANCIAL SPONSORS

- Private equity firms continue to invest behind post-acute care theses
- Highly fragmented landscape has created significant opportunities for sponsor-backed platforms to consolidate smaller providers
- More investors are exploring value-based care angles in the post-acute care space

REPRESENTATIVE PLAYERS

AccentCare · Advent International Global Private Equity · Elara Caring · KELSO Private Equity · Blue Wolf · Kindred at Home · Humana · WCAS · TPG · Compassus (Serving with Heartfelt Compassion) · Formation Capital · Abode Hospice & Home Health · Tailwind

Post-Acute Care Landscape Scorecard

Setting	Size	Volume Outlook	Reimbursement Outlook	Value-Based Care Adoption
 **Long-Term Care Hospital**	**$5.1** billion	Pathway for SGR Reform Act of 2013 creates stricter set of qualifying criteria	2.0% CAGR for Cost per Day from 2011-2016	Pathway for SGR Reform Act of 2013 utilizes site-neutral payments for non-qualifying discharges
 **Inpatient Rehab Facility**	**$7.7** billion	No transformative regulatory-driven changes in the last 10-years, but lower cost of care settings will create pressure	MEDPAC recommended a 5% rate reduction for the 2019 Medicare payment rate	No value-based care initiatives to date
 **Skilled Nursing Facility**	**$29.1** billion	Volume growth will be constrained by trend towards lower cost of care settings	PDPM model will shift dollars from therapy services to nursing	SNF Value-Based Purchasing Program applies to all SNFs
 **Home Health**	**$18.1** billion	Trend towards lower cost of care settings	PDGM will change reimbursement and have varying impacts on different types of providers	Home Health Value-Based Purchasing pilot program implemented in 9 states
 **Hospice**	**$16.8** billion	The number of beneficiaries electing to utilize hospice benefits continues to increase	2016 payment system reform better aligns payments with costs throughout an episode	Value-based models less applicable for end-of-life care

Who Wins and Who Loses in a Value-Based World?

PROVIDERS THAT HAVE DEVELOPED VALUE-BASED STRATEGIES WILL BE BETTER POSITIONED FOR THE TRANSITION AWAY FROM FEE-FOR-SERVICE.

- Certain characteristics will influence how providers weather the transition to value-based care

Progressive Players

- Participation In Alternative Payment Models
- Leading Patient Outcomes
- Reliance on Evidence-Based Guidelines
- Investments In Technology
- Clinical Expertise
- Managed Care Strategy
- Cost Effectiveness
- Strategic Partnerships
- Geographic Diversity

Late Adopters

- Overprovision of Care Relative to Clinical Need
- Focus on Highest Marginal Profit Patients
- Prolonged Length of Stay
- Limited Technology Resources
- Fee-for-Service Concentration
- Below Average Quality and Outcomes
- Geographic Concentration

Considerations for Investors in Post-Acute Healthcare

INVESTORS SHOULD EVALUATE OPPORTUNITIES IN THE POST-ACUTE CARE SPACE THROUGH A VALUE-BASED LENS.

What Should You be Looking For?

Clinical Quality and Expertise	Management and Cultural Alignment with Strategic Goals	Patient Acuity Mix	Technology	Scale	Geographic Footprint
Payor Mix	Managed Care Strategy	Cost Effectiveness	Participation in Alternative Payment Models	Strategic Partnerships	Level of Innovation

Table of Contents

I DISCUSSION MATERIALS

II HOME HEALTH & HOSPICE VALUATION APPENDIX

Home Health & Hospice
Public Valuations

HOME HEALTH & HOSPICE PUBLIC COMPARABLES ARE TRADING AT A MEDIAN EV / LTM EBITDA MULTIPLE OF 20.0x, WELL ABOVE THEIR 5-YEAR MEDIAN.

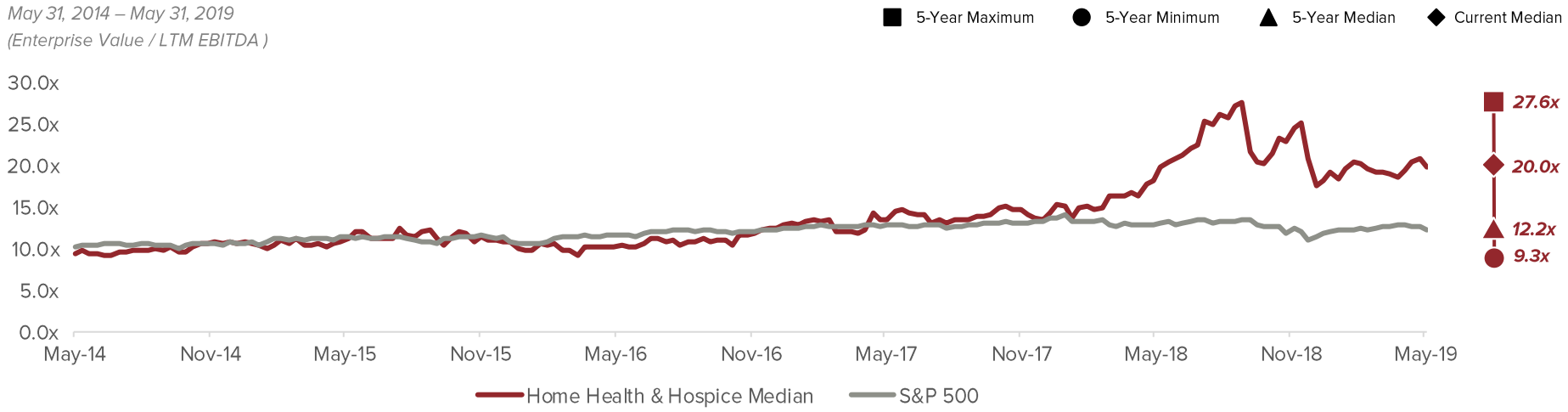
TRADING ANALYSIS

$ in millions, except per share values

Company Name	Stock Price 5/31/19	52-Week High	% of 52 Week High	Market Cap.	Enterprise Value	LTM EBITDA Margin	EV / Revenue LTM	EV / Revenue 2019E	EV / EBITDA LTM	EV / EBITDA 2019E
Home Health & Hospice										
Encompass Health Corp.	58.92	82.46	71.5%	5,824	8,894	20.8%	2.0 x	1.9 x	9.8 x	9.4 x
Chemed Corp.	327.94	341.18	96.1%	5,227	5,510	15.8%	3.1 x	2.9 x	19.3 x	17.0 x
Amedisys, Inc.	112.31	140.91	79.7%	3,599	3,994	10.8%	2.3 x	2.0 x	21.4 x	19.1 x
LHC Group, Inc.	113.28	122.20	92.7%	3,567	3,834	9.5%	1.9 x	1.8 x	20.0 x	17.7 x
Addus HomeCare Corp.	68.38	77.82	87.9%	901	866	7.2%	1.6 x	1.5 x	21.9 x	16.9 x
Median						***10.8%***	***2.0 x***	***1.9 x***	***20.0 x***	***17.0 x***
Average						***12.8%***	***2.2 x***	***2.0 x***	***18.5 x***	***16.0 x***

HISTORICAL VALUATION TRENDS

May 31, 2014 – May 31, 2019
(Enterprise Value / LTM EBITDA)



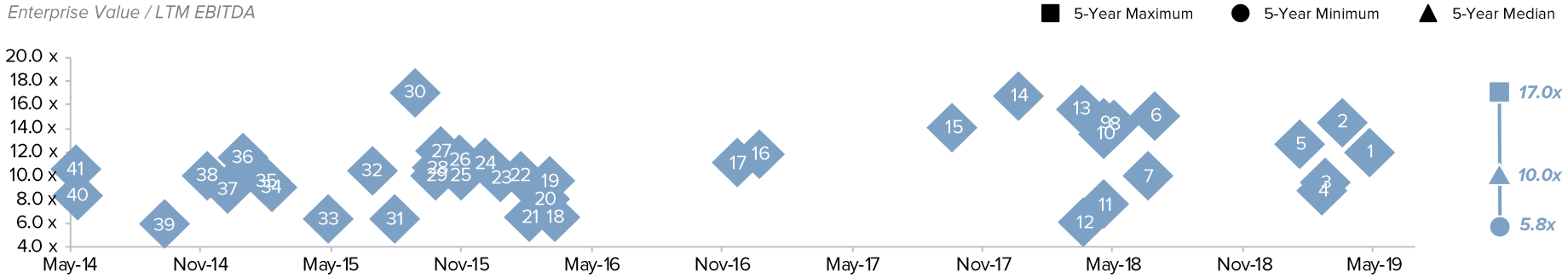
Source: FactSet

Home Health & Hospice
Recent M&A Transactions

RECENT HOME HEALTH & HOSPICE TRANSACTIONS HAVE TRADED AT A MEDIAN EV / LTM EBITDA MULTIPLE OF 10.0x.

PRECEDENT TRANSACTION ANALYSIS

Enterprise Value / LTM EBITDA



Num.	Target Company	Acquirer	Date	Enterprise Value	EV / LTM EBITDA
1	AccentCare	Advent International	May-19	*Confidential*	
2	Alacare Home Health & Hospice	Encompass	Apr-19	$218	14.5 x
3	Civitas Solutions	Centerbridge	Mar-19	$1,343	9.4 x
4	BrightSpring Health Services	KKR / PharMerica	Mar-19	$1,320	8.7 x
5	Compassionate Care Hospice	Amedisys	Feb-19	$340	12.6 x
6	Curo	TPG / WCAS / Humana	Jul-18	$1,400	13.1 x
7	Kindred Healthcare	Humana / TPG / WCAS	Jul-18	$3,914	9.9 x
8	Jordan / Great Lakes Caring	Blue Wolf / Kelso	May-18	-	10.5 x
9	Abode Healthcare	Tailwind	May-18	$202	14.4 x
10	Camellia	Encompass	May-18	$135	13.5 x
11	Ambercare	Addus	May-18	$52	7.5 x
12	Arcadia	Addus	Apr-18	$19	6.0 x
13	Almost Family	LHC Group	Mar-18	$966	15.6 x
14	Optum	Hospice Compassus	Dec-17	-	16.7 x
15	St. Croix Hospice	Vistria Group	Sep-17	-	14.0 x
16	CHS	Almost Family	Dec-16	$128	11.8 x
17	Great Lakes Caring	Blue Wolf	Nov-16	-	10.0 x
18	NHHC	Blue Wolf	Mar-16	$103	6.5 x
19	Genesis HealthCare	Hospice Compassus	Mar-16	$84	9.5 x
20	Associated Home Care	Amedisys	Mar-16	$28	8.0 x
21	All Metro (Simplura)	One Equity	Feb-16	*Confidential*	

Num.	Target Company	Acquirer	Date	Enterprise Value	EV / LTM EBITDA
22	New Century Hospice	Curo	Jan-16	-	10.0 x
23	Infinity Home Care	Amedisys	Dec-15	$63	9.8 x
24	Active Day Senior Care	Audax	Dec-15	-	11.0 x
25	Black Stone	Almost Family	Nov-15	-	10.0 x
26	CareSouth	Encompass	Nov-15	$170	11.3 x
27	Hospice Advantage	Hospice Compassus	Oct-15	-	12.0 x
28	Halcyon	LHC Group	Oct-15	$59	10.6 x
29	Caring Brands	LLCP	Oct-15	-	10.0 x
30	Willcare Healthcare	Almost Family	Aug-15	$50	17.0 x
31	Help at Home	Wellspring	Aug-15	-	6.3 x
32	Extendicare	Formation	Jul-15	$870	10.4 x
33	Revera	Extendicare	May-15	$69	6.3 x
34	Life Choice Hospice	Hospice Compassus	Feb-15	-	9.0 x
35	Gentiva	Kindred	Feb-15	$1,826	9.5 x
36	Encompass	HealthSouth	Dec-14	$750	11.5 x
37	Curo	Thomas H. Lee	Dec-14	-	8.8 x
38	Hospice Compassus	Audax / Formation	Nov-14	-	10.0 x
39	All Metro	Nautic Partners	Sep-14	-	5.8 x
40	Great Lakes Caring	Wellspring	May-14	-	8.3 x
41	Southern Care	Curo	May-14	-	10.5 x
	Median:			***$202***	***10.0 x***

Home Health & Hospice
Potential Acquisition Targets

HOME HEALTH AND HOSPICE REMAINS A HIGHLY FRAGMENTED INDUSTRY WITH OPPORTUNITIES TO ACQUIRE EXISTING PLATFORMS OR PURSUE BUY AND BUILD STRATEGIES WITH SMALLER ASSETS .

COMPANY	HEADQUARTERS	YEAR FOUNDED	OWNERSHIP	SIZE
ABODE HOSPICE & HOME HEALTH	Durango, CO	2011	Tailwind Capital	29 home health and hospice locations
Affinity Hospice	Birmingham, AL	N/A	MBF Healthcare Partners	Locations in Alabama and Georgia
Bristol Hospice	Salt Lake City, UT	2006	Webster Capital	11 hospice locations
Brookdale Senior Living — Hospice & Home Health Asset	Brentwood, TN	1978	Brookdale Senior Living (NYSE:BKD)	30 home health locations and 18 hospice service areas
St. Croix Hospice	Oakdale, MN	2008	The Vistria Group	21 hospice locations
Compassus	Brentwood, TN	1979	Audax / Formation Capital	140+ hospice locations
Five Points Healthcare	Atlanta, GA	2011	Fulcrum Equity	19 home health and hospice locations
Hospice Care of South Carolina	Spartanburg, SC	1997	The Vistria Group	14 hospice locations
Alternate Solutions Health Network	Kettering, OH	1999	General Atlantic	N/A
intrepid USA Healthcare Services	Dallas, TX	1997	Patriarch Partners	90 home health and hospice locations
Simplura Health Group	Lynbrook, NY	1955	One Equity Partners	44 home health locations

DISCLOSURE

The information and views contained in this report were prepared by Harris Williams LLC ("Harris Williams"). It is not a research report, as such term is defined by applicable law and regulations, and is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any securities or financial instruments or to participate in any particular trading strategy. The information contained herein is believed by Harris Williams to be reliable but Harris Williams makes no representation as to the accuracy or completeness of such information. Harris Williams and/or its affiliates may be market makers or specialists in, act as advisers or lenders to, have positions in and effect transactions in securities of companies mentioned herein and also may provide, may have provided, or may seek to provide investment banking services for those companies. In addition, Harris Williams and/or its affiliates or their respective officers, directors and employees may hold long or short positions in the securities, options thereon or other related financial products of companies discussed herein. Opinions, estimates and projections in this report constitute Harris Williams' judgment and are subject to change without notice. The securities and financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. Also, past performance is not necessarily indicative of future results. No part of this material may be copied or duplicated in any form or by any means, or redistributed, without Harris Williams' prior written consent.

Harris Williams LLC is a registered broker-dealer and member of FINRA and SIPC. Harris Williams & Co. Ltd is a private limited company incorporated under English law with its registered office at 5th Floor, 6 St. Andrew Street, London EC4A 3AE, UK, registered with the Registrar of Companies for England and Wales (registration number 07078852). Harris Williams & Co. Ltd is authorized and regulated by the Financial Conduct Authority. Harris Williams & Co. Corporate Finance Advisors GmbH is registered in the commercial register of the local court of Frankfurt am Main, Germany, under HRB 107540. The registered address is Bockenheimer Landstrasse 33-35, 60325 Frankfurt am Main, Germany (email address: hwgermany@harriswilliams.com). Geschäftsführer/Directors: Jeffery H. Perkins, Paul Poggi. (VAT No. awaited). Harris Williams is a trade name under which Harris Williams LLC, Harris Williams & Co. Ltd and Harris Williams & Co. Corporate Finance Advisors GmbH conduct business.