

# Healthcare & Life Sciences

Home Care & Hospice | 2020 Year in Review



# Recent Harris Williams Home Care & Hospice Transaction: Care Hospice

Harris Williams's HCLS Group advised Care Hospice in its acquisition by an undisclosed buyer.

Closed December 2020



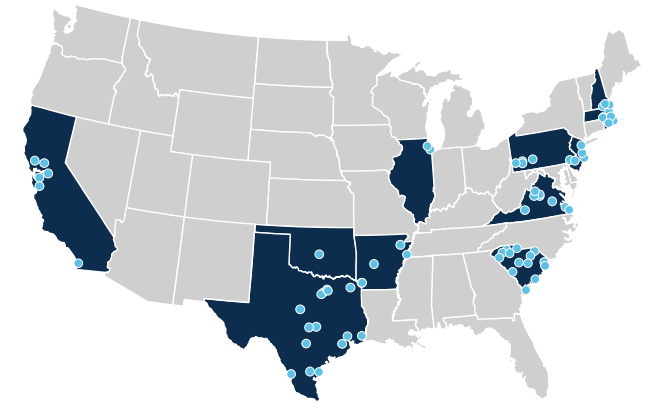
has been acquired by

**Undisclosed Buyer**

## TRANSACTION OVERVIEW

- Care Hospice is a leading hospice platform of scale, with 80+ branches across 12 states and an average daily census of 3,500+ patients.
- The Company's differentiated go-to-market strategy is focused on serving secondary and tertiary markets that have attractive demographics, significant white space, and less sophisticated competition.
- Strong underlying organic growth, proven and replicable de novo playbook, and differentiated M&A and integration capabilities positioned the Company as one of the strongest pure-play hospice platforms in the industry.

### Large & Growing National Footprint



### Local Market Strategy With Leading Brands



## HW DEAL TEAM CONTACTS

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# Harris Williams Home Care & Hospice Subvertical Focus Areas

## Skilled Home Health



Short-term, physician-directed skilled nursing and/or therapy provided in a Medicare beneficiary's place of residence

### Market Size & Growth Trends

**\$56.5B+**

Est. Market Size (2019)

**7.9%+**

Est. Market CAGR (2019 – 2025)

## Hospice



End-of-life care designed to improve the comfort and quality of life for patients in the final phase of a terminal illness

### Market Size & Growth Trends

**\$20.2B+**

Est. Market Size (2019)

**5.9%+**

Est. Market CAGR (2019 – 2025)

## Pediatric Home Care



Skilled nursing, therapy, or attendant services provided to medically fragile children in their homes

### Market Size & Growth Trends

**\$8.6B+**

Est. Market Size (2019)

**7.5%+**

Est. Market CAGR (2019– 2025)

## Personal Care



Non-skilled care, including companionship and activities of daily living services, to support independence and safety for seniors

### Market Size & Growth Trends

**\$60.0B+**

Est. Market Size (2019)

**6.0%+**

Est. Market CAGR (2019 – 2025)

## Home Care Franchisors



Providers of non-skilled personal care services that utilize a franchise business model

### Market Size & Growth Trends<sup>1</sup>

**\$10.9B+**

Est. Market Size (2019)

**6.4%+**

Est. Market CAGR (2019 – 2025)

## Post-Acute Care Coordination



Care and utilization management services focused on reducing costs and improving care for the post-acute population

### Market Size & Growth Trends<sup>2</sup>

**\$13.9B+**

Est. Market Size (2019)

**20.5%+**

Est. Market CAGR (2019 – 2025)

1. Represents aggregate system sales of all franchises.

2. Represents the market size and growth rate for the aggregate software and services care coordination / care management market in the U.S.

Sources: IBISWorld, MedPAC, Kaiser Family Foundation, American Academy of Pediatrics, and CMS National Health Expenditures.

# Harris Williams Perspective on the Impacts of COVID-19

## CHALLENGES CREATED BY COVID-19

- Patients across home care and hospice subverticals have continued to utilize care as an essential service throughout the crisis; however, COVID-19 has caused some volume pressure and other operational challenges:
  - Deferrals of nearly all elective surgeries were observed during the initial stages of COVID-19, with declines of orthopedic referrals being particularly impactful to skilled home health providers.
  - Long-term care facilities have tightened infection control protocols, limiting access to sales reps and even clinicians in some cases.
  - Some providers have seen new admissions come under pressure due to disruptions in facility-based referral sources.
- Providers have been acutely focused on equipping their caregivers and clinicians with proper PPE, which has been a challenge given nationwide shortages.
- Staffing has been a critical challenge, with disruptions from COVID-19-positive clinical staff creating constraints on admission and visit volumes.

## TACTICS BEING DEPLOYED IN RESPONSE TO CHALLENGES

- Operators quickly triaged to ensure the proper processes, procedures, and infrastructure were in place to effectively shift corporate and operational functions to work-from-home:
  - Transitions were easier for companies with strong IT infrastructure.
  - Executives are closely following Centers for Disease Control and Prevention (CDC) and local guidelines to help inform plans for a return to the workplace.
- Providers have implemented measures to ensure the safety of their caregivers and patients, including daily temperature checks, specialized COVID-19 training, and increased usage of telehealth.
- Significant federal aid was issued under the CARES Act, although companies have been cautious with these grants due to shifting terms and conditions.
- Extension of Medicare sequestration holiday into 2021 provides additional cash flow relief to providers.

## WHAT DOES THE POST-COVID-19 LANDSCAPE LOOK LIKE?























### *Opportunities for Well-Positioned Providers*

- **Consolidation of Referral Sources** – Due to heightened infection control protocols that are likely to remain even after the pandemic, many hospitals and assisted living and skilled nursing facilities (ALF and SNF) may look to consolidate home care and hospice partners to limit the variability in clinicians and sales personnel entering their facilities.
- **Accelerated M&A** – New operational challenges from COVID-19 are likely to disproportionately impact smaller providers, which may accelerate the desire to join a larger organization.
- **Telehealth** – The Centers for Medicare & Medicaid Services (CMS) significantly expanded access to telehealth during the COVID-19 crisis, and while long-term rules and reimbursement are still unknown, providers that can effectively incorporate telehealth into care plans are likely to gain a competitive advantage.

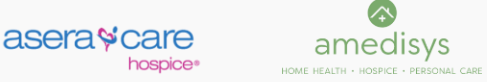











### *Attributes of Winning Organizations*

- **Focus on Employee and Patient Well-being** – Organizations will establish competitive advantages by demonstrating a commitment to both patients and employees through rigorous infection control plans and implementing return-to-work guidelines that make employees feel comfortable. While relevant across all sectors, this is critical to home care and hospice, where turnover is traditionally high and impacts patient satisfaction.
- **Strong Outcomes (Supported by Data)** – The ability to demonstrate strong outcomes to referral sources and managed care organizations will likely be of greater significance in a post-COVID-19 world.

# Notable 2020 Home Care & Hospice Transactions

Transaction (Target / Buyer)	Overview	Valuation Detail (\$ Enterprise Value)	Subvertical
<p>Closed December 2020</p>  <p>Undisclosed</p>	<p><b>Undisclosed Acquired Care Hospice</b></p> <ul style="list-style-type: none"> <li>Care Hospice is a leading pure-play hospice provider of scale with 80+ branches in 12 states and an average daily census (“ADC”) of 3,500+ patients.</li> <li>The Company was acquired by an undisclosed buyer.</li> </ul>	Not Publicly Disclosed	 <p>Hospice</p>
<p>Closed November 2020</p>  	<p><b>AccentCare Acquired Seasons Hospice</b></p> <ul style="list-style-type: none"> <li>Seasons Hospice is a provider of hospice services across 19 states throughout the U.S.</li> <li>The combination of AccentCare and Seasons Hospice creates one of the largest post-acute care providers in the country, collectively operating over 225 branches across 26 states.</li> </ul>	Not Publicly Disclosed	 <p>Hospice</p>
<p>Closed November 2020</p>  	<p><b>Addus Homecare Acquired Queen City Hospice</b></p> <ul style="list-style-type: none"> <li>Queen City Hospice is a leading provider of hospice services in Ohio.</li> <li>Addus acquired 100% of Queen City Hospice for a cash purchase price of \$192M, which included ~\$163M of value and a net present value of ~\$29M in estimated tax benefits.</li> </ul>	\$192M	 <p>Hospice</p>
<p>Closed November 2020</p>  	<p><b>H.I.G. Capital Acquired St. Croix Hospice</b></p> <ul style="list-style-type: none"> <li>St. Croix Hospice provides hospice services for patients and families across six states in the Upper Midwest.</li> <li>Under the ownership of The Vistria Group, St. Croix grew ADC from 1,100 to over 2,000+.</li> </ul>	Not Publicly Disclosed	 <p>Hospice</p>
<p>Closed September 2020</p>  	<p><b>The Providence Service Corporation Acquired Simplura Health Group</b></p> <ul style="list-style-type: none"> <li>Simplura offers home health and personal care services across seven states.</li> <li>The Providence Service Corporation purchased 100% of Simplura from One Equity Partners in an all-cash transaction for \$575M.</li> </ul>	\$575M	 <p>Personal Care</p>
<p>Closed September 2020</p>   	<p><b>Vistria and Centerbridge Acquired Help at Home</b></p> <ul style="list-style-type: none"> <li>Help at Home provides home and community-based services to more than 60,000 clients in 150+ locations.</li> <li>The Company provides services across 13 states and operates 159 branch locations.</li> </ul>	Not Publicly Disclosed	 <p>Personal Care</p>
<p>Closed July 2020</p>   	<p><b>Apax Partners Has Joined WCAS as an Investor in InnovAge</b></p> <ul style="list-style-type: none"> <li>InnovAge is the largest Program of All-Inclusive Care for the Elderly (PACE) in the U.S.</li> <li>Apax Partners acquired a 49% stake in InnovAge and joins WCAS (which acquired a \$196 million stake in InnovAge in 2016) as investors in the business.</li> </ul>	Not Publicly Disclosed	 <p>Personal Care</p>

# Notable 2020 Home Care & Hospice Transactions (Cont.)

Transaction (Target / Buyer)	Overview	Valuation Detail (\$ Enterprise Value)	Subvertical
<p><b>Closed June 2020</b></p> 	<p><b>Amedisys Acquired AseraCare Hospice</b></p> <ul style="list-style-type: none"> <li>Founded in 1994, AseraCare Hospice is a national hospice provider caring for more than 2,100 patients daily across 14 states.</li> <li>Amedisys (NASDAQ:AMED) acquired 100% of the ownership interests in AseraCare for a cash purchase price of \$235M, which is inclusive of a \$32M tax asset.</li> </ul>	<p>\$235M</p>	 Hospice
<p><b>Closed May 2020</b></p> 	<p><b>Optum Acquired naviHealth</b></p> <ul style="list-style-type: none"> <li>naviHealth is a post-acute care management platform serving about 4.5 million Medicare Advantage members.</li> <li>Clayton, Dubilier &amp; Rice, which acquired 55% of naviHealth in 2018 from Cardinal Health, is reported to have returned 2.5x its investment in a deal valued at ~\$2.5B.</li> </ul>	<p>~\$2.5B</p>	 Post-Acute Care Coordination
<p><b>Closed March 2020</b></p> 	<p><b>Flexpoint Ford Acquired MGA Homecare</b></p> <ul style="list-style-type: none"> <li>MGA Homecare is a provider of pediatric home-nursing and therapy services to patients throughout Arizona, Colorado, and Texas.</li> <li>Flexpoint Ford has partnered with former Maxim Healthcare CEO Brad Bennett, who will lead MGA as CEO.</li> </ul>	<p>Not Publicly Disclosed</p>	 Pediatric Home Care
<p><b>Closed February 2020</b></p> 	<p><b>Homecare Holdings Acquired At Home Healthcare</b></p> <ul style="list-style-type: none"> <li>At Home Healthcare is a Texas-based provider of adult and pediatric home healthcare services operating through 11 office locations covering 110 counties throughout Texas.</li> <li>Homecare Holdings, a portfolio company of The Edgewater Funds, has acquired At Home Healthcare in partnership with Chair Judy Bishop, an experienced home health veteran.</li> </ul>	<p>Not Publicly Disclosed</p>	 Skilled Home Health
<p><b>Closed January 2020</b></p> 	<p><b>Amedisys Acquired Asana Hospice &amp; Palliative Care</b></p> <ul style="list-style-type: none"> <li>Asana Hospice is a provider of hospice services with locations in Pennsylvania, Ohio, Mississippi, Kansas, and Texas.</li> <li>Amedisys (NASDAQ:AMED) acquired 100% of the ownership interests in Asana Hospice for a purchase price of \$67M.</li> </ul>	<p>\$67M</p>	 Hospice
<p><b>Closed January 2020</b></p> 	<p><b>Hospice Care of South Carolina Acquired Agape Hospice</b></p> <ul style="list-style-type: none"> <li>Agape Hospice, a leading pure-play hospice provider in South Carolina, has been acquired by Vistria-backed platform Hospice Care of South Carolina.</li> <li>The combined organization, rebranded as Agape Care, is now the largest hospice provider in the state of South Carolina.</li> </ul>	<p>Not Publicly Disclosed</p>	 Hospice

# Public Market Update

## HISTORICAL VALUATION TRENDS<sup>1</sup>

January 12, 2016 – January 12, 2021  
(Enterprise Value / LTM EBITDA)



## CURRENT PERFORMANCE

As of January 12, 2021  
\$ in millions, except per share values

	Stock Price 1/12/21	% of 52-Week High	Market Cap.	LTM Revenue	LTM EBITDA	LTM EBITDA Margin	EV / Revenue		EV / EBITDA		Latest Quarter Performance vs Consensus Estimates <sup>(2)</sup>	
							LTM	2021E	LTM	2021E	Revenue	EBITDA
Chemed Corporation	\$538.41	97.3%	\$8,933	\$2,069	\$351	17.0%	4.2x	4.0x	21.0x	20.0x	2.7%	18.6%
Encompass Health Corporation	\$84.46	96.7%	8,421	4,644	902	19.4%	2.6x	2.4x	13.0x	12.1x	(0.5%)	5.5%
Amedisys, Inc.	\$295.82	95.6%	9,922	2,021	230	11.4%	4.9x	4.3x	36.7x	31.3x	2.1%	17.9%
LHC Group, Inc.	\$215.01	90.8%	6,810	2,062	181	8.8%	3.3x	3.0x	30.1x	24.2x	2.0%	18.1%
Addus HomeCare Corporation	\$121.46	98.1%	1,902	761	65	8.5%	2.4x	2.1x	24.7x	20.1x	2.6%	13.4%
The Pennant Group, Inc.	\$62.79	90.3%	1,770	372	24	6.4%	5.6x	4.8x	30.4x	23.7x	2.7%	0.3%
<b>Median</b>						<b>10.1%</b>	<b>3.7x</b>	<b>3.5x</b>	<b>27.4x</b>	<b>21.9x</b>	<b>2.4%</b>	<b>15.6%</b>
<b>Average</b>						<b>11.9%</b>	<b>3.8x</b>	<b>3.4x</b>	<b>26.0x</b>	<b>21.9x</b>	<b>1.9%</b>	<b>12.3%</b>

- Home Care & Hospice index includes: ADUS, AMED, CHE, EHC, LHCG, PNTG.
- Based on Q3 2020 reported earnings vs. CapIQ consensus estimates.

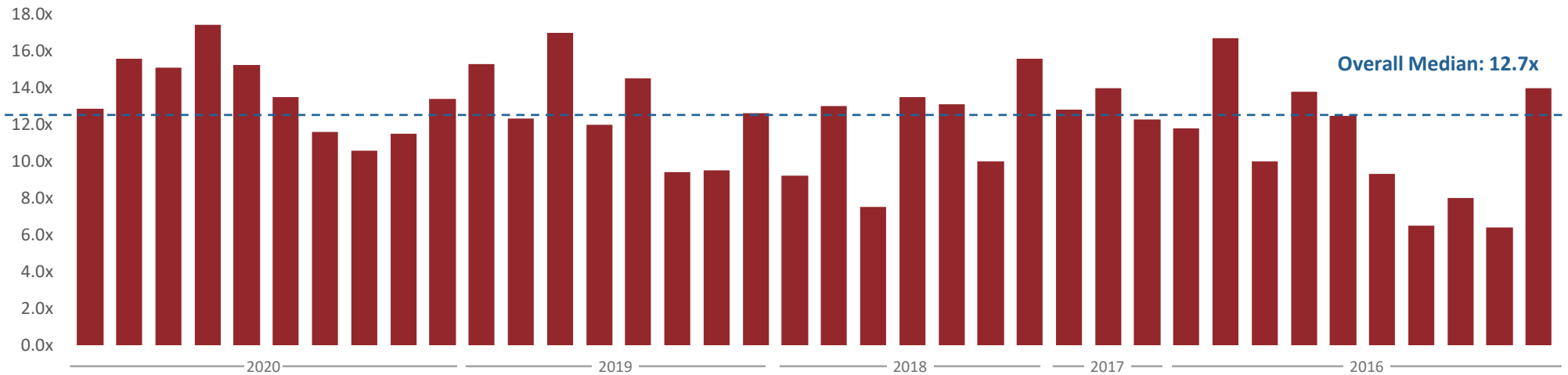
# M&A Transaction Comps Update

## VALUATION SUMMARY

Sub-Vertical	Skilled Home Health	Hospice	Pediatric Home Care	Personal Care
5-Year Median EV / EBITDA	11.8x	13.8x	12.3x	8.0x

## HOME CARE & HOSPICE TRANSACTION COMPS – LAST 5 YEARS

EV / LTM EBITDA



### TARGETS



### ACQUIRERS





# Relevant Home Care & Hospice Sector News

## WHAT WE'RE READING

### *Stimulus Money, Therapy Changes, and COVID-19 Strategies: Top Home Health Stories of 2020 | Source: Home Health Care News*

Home Health Care News provides a recap of the top stories in 2020, a year that was expected to be defined by the Patient-Driven Groupings Model (PDGM) but was instead reshaped entirely by COVID-19.

Read the Full Article [Here](#).

### *Covid Spurs Families to Shun Nursing Homes, a Shift That Appears Long Lasting | Source: The Wall Street Journal*

The pandemic is reshaping the way Americans care for their elderly, prompting family decisions to avoid nursing homes and keep loved ones in their own homes for rehabilitation and other care. Occupancy in U.S. nursing homes is down by 15%, or more than 195,000 residents, since the end of 2019, driven both by deaths and by the fall in admissions, a Wall Street Journal analysis of federal data shows.

Read the Full Article [Here](#).

### *Top Hospice Trends to Watch in 2021 | Source: Hospice News*

While the hospice industry had to shift many priorities in 2020 in order to respond to the pandemic, hospices also made headway on efforts with the potential to reshape how they do business and care for patients, seeking to engage with patients long in advance of the end of life, experiment with new avenues of payment, adapt to new financial players in the space, and consider new concepts about death and dying itself. Hospice News explores the top trends to watch in the sector in 2021.

Read the Full Article [Here](#).

## REGULATORY & REIMBURSEMENT

- **CMS 2021 Home Health Prospective Payment System Final Rule** – CMS's final rule included updates to the home health payment rates for 2021. CMS estimates that Medicare payments to Home Health Agencies in 2021 will increase in the aggregate by 1.9%, or \$390M, based on the finalized policies.
- **CMS 2021 Hospice Payment Rate Update Final Rule** – CMS's final rule included a hospice payment update for 2021. CMS estimates that Medicare payments to hospice agencies in 2021 will increase in the aggregate by 2.4%, or \$540M, based on the finalized policies.
- **Medicare Sequestration Suspension** – The CARES Act, which was signed into law on March 27, 2020, included a suspension of sequestration as it applies to Medicare payments from May 1, 2020, to December 31, 2020. Subsequently in December 2020, Congress approved a \$1.4 trillion spending package that extended the Medicare sequestration holiday through March 31, 2021.

# Skilled Home Health Market Overview

## UNDERLYING TAILWINDS

### Growth in the U.S. Medicare-Eligible Population

Medicare spending growth is projected to average 7.4% over 2018 – 2027, the fastest rate among major payor categories, underpinned by strong enrollment growth as baby boomers continue to age into the program.

### Volume Shifts Into the Lowest-Cost Care Setting

Home health is an extremely attractive alternative to higher-cost settings, with daily costs averaging ~5% of the cost of an acute care setting and ~20% of the cost of an SNF. As the preferred setting for patients, payors, and hospitals seeking to reduce readmissions, there is a strong underlying trend of volumes moving out of facilities and into the home.

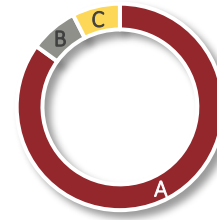
### Increasing Prevalence of Chronic Conditions

According to the CDC, over 85% of adults age 65+ have at least one chronic condition, with over half having multiple chronic conditions. Home health provides a cost-effective method for managing chronic illness and preventing rehospitalizations, containing healthcare costs, and improving health outcomes for seniors.

## EMERGING TRENDS WE'RE WATCHING

- **PDGM** – As of January 1, 2020, the skilled home health sector transitioned to a new payment model, the PDGM, which shifts units of payment from 60-day episodes to 30-day periods of care.
- **Telehealth** – CMS significantly expanded access to telehealth during the COVID-19 crisis; however, the future of reimbursement and telehealth's go-forward role in patient care plans will likely continue to evolve in the near term.
- **Accelerated Shift in Site-of-Care Preferences** – Seniors have increasingly preferred to receive care within their own homes, and the challenges faced by SNFs nationally during the COVID-19 crisis is likely to accelerate this trend.

## REPRESENTATIVE PAYOR MIX<sup>1</sup>



A	Medicare	85.0%
B	Medicare Advantage	7.5%
C	Commercial / Other	7.5%

## RECENT M&A ACTIVITY

SKILLED HOME HEALTH			
DATE	TARGET	BUYER	EV (\$M)
September 2020	FAIRVIEW	AccentCare	Not Public
March 2020	ADVANCED HOME HEALTH	BRIGHTSPRING HEALTH SERVICES	Not Public
February 2020	AT HOME HEALTHCARE	the edgewater funds	Not Public
January 2020	EGAN Home Health & Hospice	LHC GROUP	Not Public
May 2019	AccentCare	Advent International GLOBAL PRIVATE EQUITY	Not Public
April 2019	alacare HOME HEALTH & HOSPICE	Encompass Health	\$218
March 2019	BRIGHTSPRING HEALTH SERVICES	KKR	\$1,320

1. HW estimates.

Source: CMS Office of the Actuary.

# Hospice Market Overview

## UNDERLYING TAILWINDS

### Rising Utilization of Hospice Care

Payors and policymakers' focus on reducing costs has led to incentivize the use of hospice, generating an increase in utilization from under 25% in 2000 to 51% in 2018, and this growth is expected to continue at 100 bps per year to over 67% in 2035.

### Growth in Medicare Decedents

Significant growth in the Medicare population (projected to grow more than 30% from 2020 to 2030) will continue to drive growth in Medicare decedents. In conjunction with rising utilization, growth in this demographic will result in long-term, sustained demand for hospice.

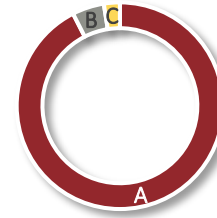
### Lowest-Cost Setting for Highest-Cost Patient Population

The cost of hospice is dramatically lower than other end-of-life care options – 89% lower than Inpatient Rehabilitation Facilities and Long-Term Care hospitals and 64% lower than SNF care – driving both payor and patient preference toward increased hospice utilization. This is particularly critical given that the last 12 months of an individual's life typically account for 44% or more of his or her lifetime medical spend.

## EMERGING TRENDS WE'RE WATCHING

- Medicare Advantage ("MA")** – Beginning in 2021, CMS will conduct a pilot program offering hospice services to MA members, which could drive increased hospice utilization for well-positioned providers.
- Referral Source Consolidation** – The COVID-19 pandemic raised significant challenges for SNFs, ALFs, and hospitals. As these sites have ramped up infection control measures, they may increasingly prefer to consolidate the number of hospice providers they work with in order to better control who is entering facilities.
- The Evolving Role of Palliative Care** – Palliative care can provide value to both patients and the system by the patient experience, reducing hospital admissions (33% vs. 66%) and lowering overall costs of care at the end of life. Reimbursement has historically been a challenge, as Medicare has reimbursed at less than cost; however, a rising number of MA plans are offering a palliative care benefit, which could open the door for an expanded role of palliative care in end-of-life care.

## REPRESENTATIVE PAYOR MIX<sup>1</sup>



A	Medicare	92.5%
B	Medicaid / State Programs	5.0%
C	Commercial / Other	2.5%

## RECENT M&A ACTIVITY

HOSPICE			
DATE	TARGET	BUYER	EV (\$M)
December 2020			Not Public
December 2020		Undisclosed	Not Public
November 2020			\$192
November 2020			Not Public
November 2020			Not Public
October 2020			Not Public
September 2020			Not Public

1. HW estimates.

Sources: MedPAC, U.S. Census Bureau, and American Journal of Managed Care.

# Pediatric Home Care Market Overview

## UNDERLYING TAILWINDS

### Strong, Inelastic Demand for Care

Medically fragile children with chronic health conditions (e.g., cerebral palsy, muscular dystrophy, cystic fibrosis) require long-term, continuous, and often intensive care from skilled clinicians. For many, this care is essential and far beyond the scope of what parents are able to provide.

### Advancements in Neonatal Care

Medical advancements have significantly increased the life expectancy and survival rate of infants with life-limiting birth defects or chronic illness, who often require care for a sustained period of time after birth.

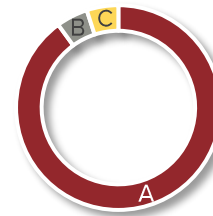
### Innovation in Home-Based Medical Technology

In recent years there has been significant progress in making life-sustaining medical technologies more compact, lightweight, and portable, which has enabled treatment of advanced conditions in the home. Major strides have been made in respiratory products, infusion therapies, specialized cribs and beds, and remote monitoring devices, which has broadened access to home nursing.

## EMERGING TRENDS WE'RE WATCHING

- **Shortage of Qualified Nurses** – Caring for children requires specialized training; however, pediatric home care nurses are generally paid lower hourly wages than their counterparts in an acute setting or even in adult home health. This largely stems from constrained and underfunded Medicaid budgets (the primary payor for pediatric home care), and low wage rates can make it challenging for agencies and families to find qualified clinicians.

## REPRESENTATIVE PAYOR MIX<sup>1</sup>



A	Medicaid / State Programs <sup>2</sup>	90.0%
B	Private Pay	5.0%
C	Commercial / Other	5.0%

## RECENT M&A ACTIVITY

PEDIATRIC HOME CARE			
DATE	TARGET	BUYER	EV (\$M)
TBD	Solace Pediatric Home Healthcare	Undisclosed	Not Public
November 2020	Evergreen Home Healthcare	aveanna healthcare	Not Public
October 2020	Mission Medstaff	Nursing Solutions <small>by the company of the same name</small>	Not Public
March 2020	MGA HOME CARE	FLEXPOINT FORD	Not Public
February 2020	R.S.V.P. HOME CARE INC.	PHS pediatric home service	Not Public
December 2019	Accessible Home Care...	thrive Skilled Pediatric Care <sup>®</sup>	Not Public
April 2019	ANGELS OF CARE PEDIATRIC HOME HEALTH	VARSITY HEALTHCARE PARTNERS	Not Public

1. HW estimates.  
2. Includes Medicaid Managed Care.

# Personal Care Market Overview

## UNDERLYING TAILWINDS

### Aging Senior Population

There are currently about 45 million Americans ages 65 and older, and by 2050 this number is expected to grow to nearly 90 million, a growth rate that materially outpaces the general population. As the primary demographic receiving personal care services, this trend supports strong, sustained demand.

### Medicaid Expansion

As of January 2020, 36 states and D.C. have expanded their Medicaid programs under the Affordable Care Act. As a major payor of personal care services through long-term services and supports, the increase of Medicaid-eligible individuals has driven significant demand, both for traditional providers and consumer-directed models.

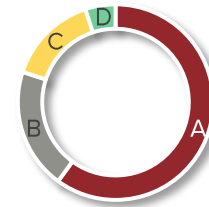
### Managed Care

The shift to managed Medicaid has provided an opportunity for high-quality personal care providers that can become preferred providers within narrow MCO networks. A study published in the American Journal of Managed Care showed that use of personal care was associated with 46% lower probability of placement in a nursing home and significantly reduced the risk of hospitalization.

## EMERGING TRENDS WE'RE WATCHING

- Medicare Advantage** – Beginning in 2020, CMS adopted new rules that allow Medicare Advantage plans to offer personal care and respite care as supplemental benefits. CMS estimates that about 500 plans will offer ~2.6 million enrollees supplemental benefits, such as personal care support services or adult day programs.
- Potential Rise in Federal Minimum Wage** – Potential increases to the Federal minimum wage by the Biden administration create a risk for this sector, as most caregivers are low wage workers. If changes to the Federal minimum wage are passed, government payors would have to take action to raise rates, but this would have significant budgetary implications and could ultimately take time to resolve.
- Accelerated Shift Out of Facility-Based Care** – The negative spotlight on ALFs and SNFs during COVID-19 is likely to accelerate the trend of seniors and families preferring home care to facility-based care.

## REPRESENTATIVE PAYOR MIX<sup>1</sup>



A	Medicaid / State Programs	60.0%
B	Managed Care	20.0%
C	Private Pay	5.0%
D	Commercial / Other	5.0%

## RECENT M&A ACTIVITY

PERSONAL CARE			
DATE	TARGET	BUYER	EV (\$M)
December 2020	Adaptive <small>Your Home. Your Health. Your Care.</small>	Help at Home. <small>Care to Live Your Life.</small>	Not Public
September 2020	family resource <small>home care</small>	Great Point Partners	Not Public
September 2020	Simplura <small>HEALTH GROUP</small>	PROVIDENCE SERVICE CORPORATION	\$575
September 2020	Help at Home. <small>Care to Live Your Life.</small>	VISTRIA  Centerbridge	\$1,400
October 2019	AmeriBest	TEAM SERVICES GROUP	Not Public
June 2019	VIP	ADDUS HOME CARE	\$28
May 2019	Capital City Nurses HEALTH CARE	care advantage <small>OPENING DOORS TO COMPASSION</small>	Not Public

1. HW estimates.

Sources: Genworth Cost of Care Survey, American Journal of Managed Care, and CMS.Gov.

# Home Care Franchisors Market Overview

## UNDERLYING TAILWINDS

### Increased Desire Among Seniors to Age in Place

According to a 2018 study by AARP, over 75% of seniors prefer to remain in their homes as they grow older. Non-skilled home care gives seniors the support and care they need to maintain their independence, prevent hospitalizations, and age in place.

### Low Barriers to Entry for Franchisees

Home care has become increasingly attractive for prospective franchisees; growth in home care franchises (6.6%) has outpaced overall franchise sector growth (2.6%) over the past few years. In addition to strong demand, the required initial investment, including start-up costs, for a franchisee is less than \$150,000 on average, which has helped drive expansion relative to other areas of franchising.

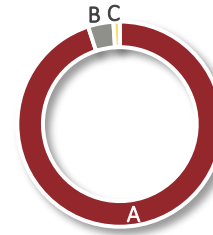
### Attractive Financial Profile

While non-skilled home care is typically a low-margin business, franchisors that generate revenue from franchise fees and royalties have much leaner operating costs and, correspondingly, much higher margins relative to branch-owned models (or franchisees). Franchisors are also insulated from challenges related to caregiver turnover and rising wage rates.

## EMERGING TRENDS WE'RE WATCHING

- **Medicare Advantage** – Similar to branch-owned personal care models, the new CMS rule allows for non-skilled home care to be included as a supplemental benefit for MA plans provides an opportunity for home care franchisors to expand their patient base.
- **Acquisition of Franchisees** – Several home care franchisors have begun executing on or exploring a strategy of converting franchisees to company-owned branches in certain markets.

## REPRESENTATIVE PAYOR MIX<sup>1</sup>



A	Private Pay	95.0%
B	Medicaid / State Programs	4.0%
C	Commercial / Other	1.0%

## RECENT M&A ACTIVITY

HOME CARE FRANCHISORS			
DATE	TARGET	BUYER	EV (\$M)
June 2020	bluebird care	Caring Brands INTERNATIONAL	Not Public
April 2018	SYNERGY HomeCare	NexPhase CAPITAL	Not Public
September 2017	Homewatch CareGivers	AUTHORITY BRANDS	Not Public
July 2017	ComForCare HOME CARE	Riverside	Not Public
October 2016	SENIOR Helpers	ALTARIS	Not Public
September 2016	Right at Home	IMC INVESTORS MANAGEMENT CORPORATION	Not Public
February 2016	Home Helpers	LINSALATA CAPITAL PARTNERS	Not Public

1. HW estimates.  
Source: AARP Research.

# Post-Acute Care Coordination Market Overview

## UNDERLYING TAILWINDS

### Shift to Value-Based Care

As the U.S. healthcare system continues to evolve toward value-based care, payors, health systems, providers, and patients are increasingly recognizing the need to embrace innovative services and technologies that drive down overall healthcare costs, strengthen coordination among providers, and improve patient outcomes.

### Seniors Represent the Highest-Cost Demographic

According to CMS, individuals ages 55 and over account for over half of national health spending in the U.S., and medical spending more than doubles between the ages of 70 and 90. As overall national health expenditures continue to rise, it's increasingly important to contain costs for seniors by reducing readmissions, controlling utilization, and managing care transitions across the continuum.













### Growing Complexity of Health Benefits and Care Options

While managing care across the post-acute continuum is increasingly important, most health plans lack the specialized resources to do so. In addition, the lack of transparent pricing and a wide spectrum of provider outcomes make it nearly impossible for payors, health systems, and members to choose the most effective care plans without guidance from experts.














## EMERGING TRENDS WE'RE WATCHING

- Rising Readmission Penalties** – Through programs established by the Affordable Care Act, healthcare facilities face fines of up to 3% for hospital readmissions within 30 days of discharge. According to CMS, total readmission penalties to hospitals increased to \$528 million in 2017, a more than 25% increase from the prior year, and the average penalty on base Medicare payments per hospital has increased from -0.42% in fiscal year 2013 to -0.74% in fiscal year 2017.
- CMS Pathways to Success Program** – Through a final rule released in December 2018, the CMS Pathways to Success program puts accountable care organizations (ACOs) on a quicker path to taking on both upside and downside risks. The program has seen strong interest, with the number of ACOs taking on downside risk increasing from 19% to 29% as of July 2019.

## RECENT M&A ACTIVITY

POST-ACUTE CARE COORDINATION			
DATE	TARGET	BUYER	EV (\$M)
October 2020	 Allscripts® <i>All possible</i>	 WellSky	\$1,300
May 2020	 TURN-KEY health	 carecentrix	Not Public
May 2020	 naviHealth <small>A Cardinal Health Company</small>	 OPTUM®	~\$2,500
August 2019	 remedy partners	 signifyhealth.	Not Public
June 2019	 MEDALOGIX	 Encompass Health	Not Public
June 2019	 Professional Health Care Network	 Serent CAPITAL	Not Public
October 2018	 one homecare solutions	 WAYPOINT CAPITAL PARTNERS	Not Public

# Active Strategic Buyers

Company	Ownership (Investment date)	Mkt Cap <sup>1</sup> / PEG Fund Size	# of States	Regional Presence				Services				Select Recent M&A
				West	Midwest	Southeast	Northeast	Skilled Home Health	Hospice	Personal Care	Pediatric Home Care	
 AccentCare	 Advent International (June 2019)	\$17.5B	26	✓	✓	✓	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>– Seasons Hospice (2020)</li> <li>– Fairview Home Health (2020)</li> <li>– Steward Home Care &amp; Hospice (2019)</li> <li>– Accolade Home Care &amp; Hospice (2018)</li> </ul>	
 ADDUS	NASDAQ: ADUS	\$1.9B	26	✓	✓	✓	✓		✓	✓	<ul style="list-style-type: none"> <li>– Queen City Hospice (2020)</li> <li>– Alliance Home Health Care (2019)</li> <li>– Hospice Partners of America (2019)</li> <li>– Ambercare (2018)</li> </ul>	
 amedisys	NASDAQ: AMED	\$9.9B	40	✓	✓	✓	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>– AseraCare Hospice (2020)</li> <li>– Asana Hospice (2020)</li> <li>– RoseRock Healthcare (2019)</li> </ul>	
 aveanna healthcare	 BainCapital J.H. WHITNEY & CO. J.H. WHITNEY CAPITAL PARTNERS, LLC (March 2017)	\$9.4B / \$700M	30	✓	✓	✓	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>– Evergreen Home Healthcare (2020)</li> <li>– Premier Healthcare Services (2018)</li> </ul>	
 BRIGHTSPRING HEALTH SERVICES	 KKR (March 2019)	\$13.5B	47	✓	✓	✓	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>– Advanced Home Care (2020)</li> <li>– Sacred Journey Hospice (2020)</li> <li>– Embrace Hospice (2018)</li> <li>– Gateway Pediatric Therapy (2018)</li> </ul>	
 Bristol Hospice	 Webster Equity Partners (November 2017)	\$875M	10	✓		✓			✓		<ul style="list-style-type: none"> <li>– Companion Hospice (2021)</li> <li>– Front Range Hospice (2020)</li> <li>– Sojourn Hospice (2020)</li> </ul>	
 CareHospice	Undisclosed (December 2020)	NA	11	✓	✓	✓	✓		✓		<ul style="list-style-type: none"> <li>– Continuum Hospice (2020)</li> <li>– Accord Hospice (2020)</li> <li>– Altus Hospice (2019)</li> </ul>	
 Compassus	 TOWERBROOK ASCENSION (December 2019)	\$4.3B	29	✓	✓	✓	✓		✓		<ul style="list-style-type: none"> <li>– Genesis Healthcare (2016)</li> <li>– Optum (2016)</li> <li>– Signature Hospice &amp; Home Health (2016)</li> </ul>	

1. Market Cap as of Jan. 12, 2021.



# Active Strategic Buyers

Company	Ownership (Investment date)	Mkt Cap <sup>1</sup> / PEG Fund Size	# of States	Regional Presence				Services				Select Recent M&A
				West	Midwest	Southeast	Northeast	Skilled Home Health	Hospice	Personal Care	Pediatric Home Care	
 Elara Caring	 (November 2016)	\$540M / \$2.8B	16		✓		✓	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>– Jordan Health Services (2018)</li> <li>– National Home Health Care (2018)</li> </ul>
 Encompass Health	NYSE: EHC	\$8.4B	39	✓		✓	✓	✓	✓			<ul style="list-style-type: none"> <li>– Alacare Home Health &amp; Hospice (2019)</li> <li>– Care Resources (2019)</li> <li>– Camellia Healthcare (2018)</li> </ul>
 Kindred Healthcare	 (July 2018)	\$4.3B / \$11.2B	46	✓	✓	✓	✓	✓	✓			<ul style="list-style-type: none"> <li>– Curo Health Services (2018)</li> <li>– New Century Hospice (2016)</li> </ul>
 LHC GROUP	NASDAQ: LHCG	\$6.9B	36	✓	✓	✓	✓	✓	✓		✓	<ul style="list-style-type: none"> <li>– Grace Hospice of Oklahoma (2021)</li> <li>– Healthcare Resources (2020)</li> <li>– 5 Egan Home Health &amp; Hospice locations (2020)</li> </ul>
 PENNANT GROUP	NASDAQ: PNTG	\$1.8B	14	✓	✓	✓		✓	✓			<ul style="list-style-type: none"> <li>– Desert View Home Health (2020)</li> <li>– Hospice of Missoula (2020)</li> <li>– Prime Hospice (2020)</li> </ul>
 PROMEDICA SENIOR CARE Heartland	 (July 2018)	NA	21	✓	✓	✓	✓	✓	✓			<ul style="list-style-type: none"> <li>– HCR ManorCare (2018)</li> </ul>
 modivcare <sup>™</sup> FORMERLY LOGISTICARE	NASDAQ: MODV	\$2.2B	6			✓	✓				✓	<ul style="list-style-type: none"> <li>– Simplura Health Group (2020)</li> </ul>
 TRADITIONS HEALTH	 (April 2011)	Family Office	14	✓	✓			✓	✓			<ul style="list-style-type: none"> <li>– Centennial Hospice (2020)</li> <li>– Harbor Light Hospice (2020)</li> <li>– Physicians Choice Hospice (2020)</li> <li>– Palladium Hospice (2020)</li> </ul>

1. Market Cap as of Jan. 12, 2021.

# Companies to Watch

Platform
Ownership <i>(Investment Year)</i>
CEO
# of States
# of Locations
Geographic Footprint
Service Offering(s)
Est. EBITDA
Branding
HW Observations & Market Intel

<p>TO DISCUSS COMPANIES TO WATCH PLEASE CONTACT: <a href="mailto:HWHOMECARE_HOSPICE@HARRISWILLIAMS.COM">HWHOMECARE_HOSPICE@HARRISWILLIAMS.COM</a></p>				

# Harris Williams HCLS Group

## HW Harris Williams / GLOBAL M&A ADVISOR

### 10 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 HEALTHCARE & LIFE SCIENCES GROUP

**50+**

dedicated  
HCLS M&A  
professionals

**3**

U.S. Offices –  
Richmond, San  
Francisco, and  
Boston

**~60**

closed deals  
in the last 36  
months

**13**

closed home  
care & hospice  
transactions

## HW HEALTHCARE & LIFE SCIENCES GROUP VERTICAL COVERAGE OVERVIEW

PROVIDERS	PHARMACY
OUTSOURCED PROVIDER SERVICES	OUTSOURCED PHARMA SERVICES
PAYORS & PAYOR SERVICES	PHARMACEUTICALS
MEDICAL PRODUCTS & DEVICES	CLINICAL LAB SERVICES
PROVIDER, PHARMA, & DEVICE DISTRIBUTION	LIFE SCIENCES TOOLS
CLINICAL LAB SERVICES	HCIT

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## SELECT HW HOME CARE & HOSPICE EXPERIENCE

 a portfolio company of  has been acquired by Undisclosed Buyer	 a portfolio company of  has been acquired by Advent International	 a portfolio company of  has been acquired by One Equity Partners	 a portfolio company of Cressey & Company has been acquired by HEALTHSOUTH	 has been acquired by ALMOST family	 a portfolio company of Cressey & Company and SV Life Sciences has been acquired by HEARST corporation	 a portfolio company of  has been acquired by AccentCare a portfolio company of 	 a portfolio company of  has been acquired by amedisys	 a portfolio company of  has been acquired by amedisys	 a portfolio company of  has been acquired by Apex PARTNERS
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