

# HOME HEALTH & HOSPICE

## Sector Overview and Observations

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# HOME HEALTH & HOSPICE MARKET

Highly fragmented with strong underlying tailwinds and demand drivers

## Home Health



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

### Estimated Size & Growth

**\$142.9B**

Market  
Size

**7.5%+**

Market  
CAGR

## Sector Tailwinds

- **Growth in U.S. Medicare-Eligible Population:** The total Medicare beneficiary population in the U.S. has been increasing at a CAGR of 2.4% since 2013.
- **Increasing Prevalence of Chronic Conditions:** Over 85% of adults age 65+ have at least one chronic condition; home health offers a cost-effective means of managing these illnesses and improving outcomes.
- **Lowest-Cost Care Setting:** Daily costs average ~5% of acute care and ~20% of a skilled nursing facility; strong underlying trend from both payers and hospitals to move patients out of facilities into homes.
- **Patient Preference:** In 2021, over 80% of adults reported a preference for receiving any "post-hospital, short-term healthcare" at home rather than in a facility.

- **Market Fragmentation:** Despite significant investment activity and consolidation across Home Health & Hospice in the past 10 years, both markets remain highly fragmented. Federal reimbursement changes and competition from well-capitalized and growth-oriented PE platforms are driving small, privately owned operators to seek exits.

## Hospice



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

### Estimated Size & Growth

**\$37.9B**

Market  
Size

**8.1%+**

Market  
CAGR

## Sector Tailwinds

- **Growth in Medicare Decedents:** Growth in the Medicare population will continue to drive growth in Medicare decedents; an estimated 13% to 25% of all Medicare costs are spent on patients in their final year of life.
- **Rising Utilization:** Utilization of hospice services increased from 25% in 2000 to 51% in 2018 and is expected to reach 67% by 2035 fueled by payor and policymaker incentives to reduce the cost of care for terminally ill patients.
- **Lowest-Cost Setting for Highest Cost Population:** Hospice care cost is dramatically lower than other end-of-life options; the last year of medical care typically accounts for 44% or more of the individual's lifetime medical spend.

# HOME HEALTH & HOSPICE INDUSTRY LANDSCAPE

Despite significant increasing M&A activity, the market remains fragmented



# PUBLIC COMPANY PROFILES

Wide variation in trading multiples due to scale, growth rates, margin profile and sector focus



Source: Pitchbook market data as of 6/19/24. \$'s in millions, except per share data.

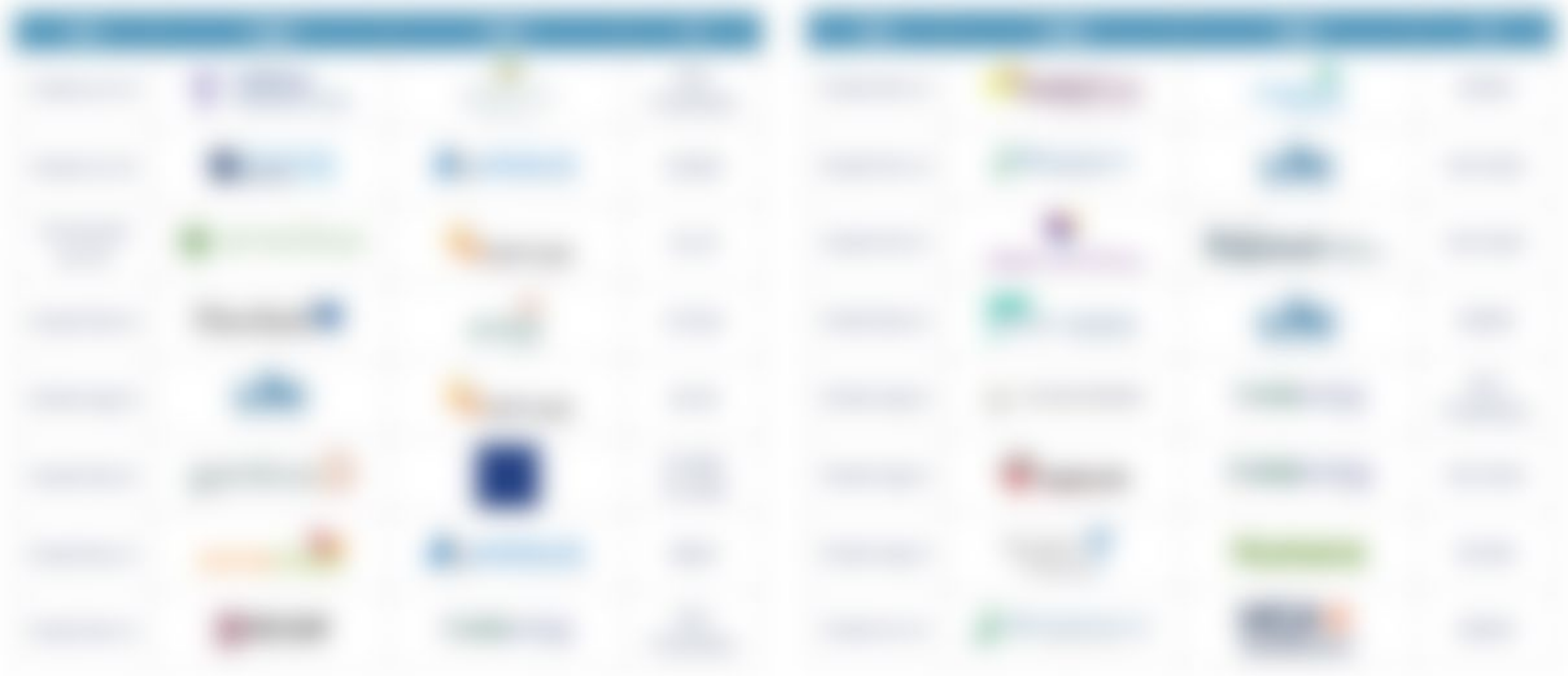
# PUBLIC COMPANY HISTORICAL VALUATION TRENDS

Valuations have reverted to the mean after spiking during the 2018 – 2021 time period



# NOTABLE RECENT HOME HEALTH & HOSPICE TRANSACTIONS

Robust transaction activity in 2021 followed by multiyear lull



# VALUATIONS FOR HOME HEALTH & HOSPICE M&A TRANSACTIONS

Platform transactions and strategic add-ons have traded at a 16.3x median EBITDA multiple



# HOME HEALTH & HOSPICE VALUE CREATION LEVERS

Market participants use a similar playbook to drive growth, increase margin and deliver shareholder value

Organic Growth		Inorganic Growth	Upside
<b>Build Scale and Geographic Density</b> <ul style="list-style-type: none"><li>• Market density allows companies to build strong payor, provider and employee relationships in specific geographies and communities</li><li>• Establish local leadership to make operational decisions real-time</li><li>• Smaller operators are capital constrained and cannot match investments in local infrastructure</li></ul>	<b>Establish Continuum of Care</b> <ul style="list-style-type: none"><li>• Integrate full continuum of in-home care services to help patients throughout their care journey as needs change</li><li>• Drive higher value per patient and broaden referral network</li></ul>	<b>Acquire Complimentary Programs</b> <ul style="list-style-type: none"><li>• Leverage M&amp;A to (i) expand into new geographic areas, (ii) add new service offerings, or (iii) gain scale and increase margin</li><li>• Capitalize on the highly fragmented provider base and consolidation opportunity</li><li>• Subscale targets can be acquired for accretive multiples (although valuation conditions have challenged this opportunity in recent years)</li><li>• Integrate targets (operations, culture, technology, billing, clinical, recruiting, compliance) to identify additional value creation opportunities</li></ul>	<b>Strategic Partnerships / Value-Based Care</b> <ul style="list-style-type: none"><li>• Partner with hospitals, physicians and payers to provide at-home care to their patient populations</li><li>• Help partners transition patients from acute to post-acute settings to reduce readmissions and improve clinical outcomes</li><li>• Extend service offering to provide higher acuity services in the home</li></ul>
<b>Capacity, Productivity and Staffing</b> <ul style="list-style-type: none"><li>• Focus on optimizing RN/LPN and PT/PTA staffing ratios to improve margins</li><li>• Establish employee retention strategies to limit turnover, especially in the current rising wage environment</li></ul>	<b>Drive Patient Referrals</b> <ul style="list-style-type: none"><li>• Leverage brand, clinical reputation and community relationships to drive patient referrals from hospitals, physicians, SNFs, senior living and community organizations</li><li>• Deliver tangible outcome data to enhance clinical reputation and drive greater patient referrals</li></ul>		<ul style="list-style-type: none"><li>• Home health is at the forefront of industry tailwinds related to the transition to value-based reimbursement</li><li>• Opportunity to take risk on the total cost of home health from health plans</li><li>• Requires substantial investments in technology and efficiency to maintain margin</li></ul>



# REIMBURSEMENT HISTORY

Rate expansion not keeping up with margin pressure from labor headwinds



## MEDICARE ADVANTAGE ADOPTION

Increasing share of eligible Medicare beneficiaries enrolled in Medicare Advantage will transform home health & hospice

