Game Changers:
The Current State of Home Health and Hospice Mergers and Acquisitions and How to Prepare to Sell

The Data
A Word About the Tax Effect

Home Health Deal Trends
Hospice Deal Trends

Home Health Private Equity Investment Trends

- CHHA-Platform
- CHHA-Follow-on
The Factors Driving Activity & Valuation

Besides the Usual Stuff
What do we Know?

- Known, Knowns:
  - May not be positive, but we know what it is
  - Productivity Adjustments

- Unknown, Unknowns:
  - We don’t know what’s next, nor how it will play out
  - But we probably know where it’s heading, directionally
  - Reimbursement in general

- Known, Unknwons:
  - We know it’s a possibility, but we don’t know how it will play out
  - Clearly identifiable Risk Factors
  - Example: Co-pays, Hospice payment reform

Reimbursement: Down But Not Out...

- Medicare Home Health:
  - Many Known, Knowns
    - Rebasing: 3.5% cuts per year x 4 (high probability)
    - Sequester (only the most optimistic hope for a rollback)
    - Productivity adjustments
  - Known, Unknowns
    - Wage index
    - Changes in therapy reimbursement methodology
    - Medicare Managed Care
    - CO-PAYS
Reimbursement

• Hospice
• Known, Knowns
  • Sequester
  • Wage Index
  • BNAF Cuts (close enough)
• Mostly Known, Unknowns
  • Wage Index
  • Reimbursement for patients residing in SNFs
  • Restriction of Failure to Thrive and Debility as principal diagnoses
  • Payment Reform, “U-shaped” Curve, LOS “Breakpoints”
  • CO-PAYS

Health Care Reform

• Transitional Care Models
• Bundling
• ACOs
  • All or Nothing?
  • Fee for Service?
  • Capitation?
• A different time, a different name, the same result?
  • Pay per visit, capped utilization, “unsustainably low” reimbursement, i.e.
  • The quality element: can it be effectively built into the reimbursement model?
  • Managed care, in disguise?
Environmental Change

- Image
- Home Health
  - Down 2010-2011
  - Creep
  - Overutilization
  - Investigations: SEC, Congress, Judiciary
  - 2013: Comparably STABLE
- Hospice
  - PRISTINE through mid-2002
  - Increased awareness of lengths of stay
  - Increased awareness of eligibility
  - Increased awareness of diagnosis creep
  - San Diego Hospice
  - 2013: Moving NEGATIVE

Risk Profiles Since 2010: Home Health

- 2010
- 2013
Risk Profiles Since 2010: Hospice

Other Factors

- Supply and Demand
- Capital Markets
  - Private Equity activity
  - Access to Debt
- The Public Markets
- Momentum
Preparing to Sell

Timing is EVERYTHING

• Well, Almost Everything
The Three Spheres

- Position on the GROWTH curve
- M&A CLIMATE
- PERSONAL Goals and Objectives

The Building Blocks of Value

ABC

Required Rate of Return
\( R(A) \)
a.k.a. RISK

Income

Growth
Reduce Risk

The Things You CAN Control

Get the Numbers Right, Get the Numbers Right, Get the Numbers Right
Get the Paperwork Right, Get the Paperwork Right, Get the Paperwork Right

Mock Due Diligence
Professional Sales

Problems: Identify, Compartmentalize, Manage

Houston,

We have a problem. A rather large problem.
Referral Source Diversity

Management Infrastructure
Create OPPORTUNITIES for Growth

a.k.a. Give Them HOPE

Start a New Program
Enter a New Geographic Area

Get on the Ground Floor of a SAFE ACO
Replace Yourself

Increase Income

I needed to attend a session to learn that?
What you can, sort’a, maybe, do
Tweak the Margin

• Jettison the bad contracts
• Narrow the marketing focus
• Revisit the clinical protocols;
  • Blasphemy aside: Can you find ONE visit that can be reduced?
• Consider a pay-for-visit employment model

Shrink to Grow

• Consolidate branches
• Eliminate underperforming and distracting service lines
• AND ZEALOUSLY REALIZE THE COST SAVINGS
• Three words on RESTRUCTURING
  • Projected?
  • Initiated?
  • Duration?
Last Man Standing

Get an Advisor
National Association for Home Care & Hospice

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