NEWS

Optimism greets investors' sudden interest in autism therapy

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The Maryland-based autism therapy company Learn It Systems was a small operation with big ambitions when it caught the eye of a major private equity firm called LLR Partners.

At the time, in 2016, hundreds of small providers across the United States offered **applied behavioral analysis** (ABA), the most widely used autism treatment. But no big players had yet entered the fledgling market. Philadelphia-based **LLR Partners** bid to purchase Learn It Systems for an undisclosed amount.

Since then, Learn It Systems, now called **Learn Behavioral**, has increased the number of states in which it offers ABA services from 11 to 18 and more than quadrupled its workforce to 3,400 employees.

“There’s been a tremendous amount of expansion,” says **Michael Maloney**, the company’s president and chief executive officer.

In the past five years, more than a dozen private equity firms like LLR Partners have injected hundreds of millions of dollars into companies that offer autism treatment. Only one such deal was struck in 2009, but about a dozen were made in 2016, and there were **19 more in 2017**.

Changes to U.S. federal and state laws now compel insurance companies to reimburse autism treatments — and have made the field attractive to investors. A dearth of major treatment centers for autism has also enticed investors.

Despite the encroachment of financial firms into this medical arena, many researchers are, in fact, cautiously optimistic — because the investments may give more families access to care they need.

“I think if it becomes part of a conglomerate that also sells turkey bacon and Ziploc bags, then that would probably be a problem,” says **Catherine Lord**, director of the Center for Autism and the Developing Brain at Weill Cornell Medicine in New York, who has served as a consultant to an investment firm. (Lord was paid $2,000 to consult for an investment company but declined to name the firm.) “But if it actually means the business is expanded, or organized even more efficiently, I’m not sure that that’s a bad thing.”

Open market:

Before the change requiring insurance reimbursements, investors showed no interest in autism.

The autism market “virtually didn’t exist” a few years ago, says **Dexter Braff**, president of the Pittsburgh-based Braff Group, which advises companies on mergers and acquisitions. Once state and federal laws changed, ABA companies launched through clinicians’ grassroots efforts rapidly became profitable.

“Suddenly, businesses all over the country were growing into $10 million or $20 million of revenue,” says **Michael Bernstein**, a partner at Baird Capital, which last year purchased a stake in an Indiana-based ABA company called **Hopebridge**. “Those businesses suddenly became candidates for investment.”

ABA companies are coy about how much money they make, but those that offer autism therapy, overall, generate somewhere between $15 billion and $80 billion each year, Maloney says. He bases this estimate on figures from the Centers for Disease Control and Prevention, which estimates that intensive behavioral therapies for autism cost up to $60,000 per child each year.

Some experts are worried about this influx, saying a focus on profit might increase costs for families and lower the quality of the treatment offered.

“It’s not that I think the companies are inherently bad or that they’re inherently flawed, but it’s all in the execution,” says **Bennett Leventhal**, professor of child and adolescent psychiatry at the University of California, San Francisco. (Leventhal has provided informal, unpaid consulting to some companies.) “If one looks at how venture capitalists have executed other things, it rarely reduces costs and rarely increases quality,” he says.

Two cents:

The care offered at certain ABA centers is already outdated or low quality, others say; offering mediocre care more widely does not serve families well.

“They have the potential of expanding an ineffective program,” says **Lynn Koegel**, clinical professor of psychiatry and behavioral sciences at Stanford University, in California.

Still, some researchers are willing to suspend judgment for now.

Kevin Pelphrey says he’s “cautiously optimistic” that bigger business will translate into more jobs for clinicians and more widely available care for families.

“In our economy, and with our model of medical care and treatment provisions, getting investors interested in it is really the best option we’ve got,” says Pelphrey, director of the Autism and Neurodevelopmental Disorders Institute at the George Washington University, in Washington, D.C.

Insurance companies help ensure that ABA providers are trained and that companies follow established treatment protocols. Investors are also calling on experts for advice on the best approaches.

“They were asking me, ‘Are these the most modern approaches? Is this really as scientifically grounded as the ABA group claimed? Are they really at the cutting edge of intervention?’” Lord says.

Still, she says, she cautioned officials at the investment company about the pitfalls they may face. Even if treatment centers are diligent about documenting services children receive, for instance, tracking the children's improvement can be challenging. “That's a limitation for all of us,” she says.