

## As Demand For ABA Therapy Increases, Investors Buy In

by Courtney Perkes | October 23, 2018

Autism therapy is attracting significant attention from private equity firms, a trend that could fund rapid expansion of clinics, but is also raising concerns about quality of care.

Investors say the rising prevalence of autism, as well as increased insurance coverage for applied behavior analysis, or ABA therapy, is driving their interest. Some autism advocates welcome an expansion of services, while also cautioning that unchecked growth could cause lapses in training or oversight.

“This is not necessarily a bad thing that private equity is getting involved,” said Thomas Frazier, chief science officer for Autism Speaks. “If we can standardize things, private equity may bring in the financing that allows us to expand. If we do things right, we could actually create a market that serves individuals and families better.”

The Braff Group, a Pittsburgh health care mergers and acquisitions advisory firm, described autism services as the “hottest sub-segment” within the category of behavioral health and identified 14 private equity deals in 2017 alone.

In one such deal last November, Baird Capital invested an undisclosed amount in Hopebridge, an Indianapolis-based provider of ABA, which uses reward-based motivation to help children with autism learn new skills and reduce harmful behavior.

At the time, Hopebridge operated 17 offices in Indiana and Kentucky. By the end of this year, Hopebridge will have expanded into Ohio and Georgia and nearly doubled the number of clinics to 30 with help from Baird, said Dennis May, chief executive officer of Hopebridge.

“It’s a capital infusion that’s allowed us to grow our staff, our number of clinics and also our clinical expertise,” May said. “They’ve got a wealth of experience about previous health care companies that have gone through growth. We’re able to draw on their experience and expertise as we think about company infrastructure investments.”

Michael Bernstein, a Baird Capital partner who now sits on the Hopebridge board of directors, said ABA’s proven success as a therapy and the increase in state laws requiring insurance coverage have made autism services companies an attractive investment.

He said as private equity professionalizes operations and helps recruit employees, he expects the industry to grow across the country, giving parents more choice for their children.

“It’s going to become increasingly competitive, where it wasn’t before,” Bernstein said. “There’s going to be some really strong, capable ABA therapy businesses showing up in the marketplace. I think that will be really good for families.”

According to Autism Speaks, 48 states and Washington D.C. have laws requiring insurance coverage of ABA therapy. Last year, the investment firm Coker Capital Advisors estimated annual revenue for major community-based ABA providers across the U.S. at more than \$10 billion and more than \$7 billion for major school-based providers.

Frazier said while he’s cautiously optimistic that outside investment will increase access to care, he indicated that clear standards should be developed, potentially by academic institutions, government regulators or health insurers.

“What we don’t have is a comprehensive and detailed set of guidelines about how you run an ABA-based program for a large number of individuals,” Frazier said. “We don’t have it standardized and we don’t have it manualized and we really need that. Without that, it becomes the Wild West.”

May said Hopebridge is managing its growth responsibly and maintaining consistency through uniform training and technology.

“You have a greater level of execution out of organizations that have the scope and scale and the financial wherewithal to make key investments into systems and processes to deliver that,” May said. “Growth and expansion are very necessary because you have children who need these services so desperately and they’re not able to get them.”

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