ACQUISITION INTEREST FLIP FLOPS BACK TO HOSPICE

– BUT HISTORY TELLS US IT WON'T LAST FOR LONG

One of the most consistent trends in home health and hospice mergers and acquisitions is that when one is up, the other is down.

Want proof?

Let's go to the tape:

2000-2001: Initiation of Prospective Pay:
Advantage Hospice

While the prospective payment system (PPS) has sustained a long period of vibrant acquisition activity, the transition to, and implementation of the new methodologies essentially put home health M&A on ice. As a result, investors interested in home care like services rushed into hospice.

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2004-2008: Prospective Pay in full swing:
Advantage Home Health

Once the heretofore unclear benefits of the prospective payment system were fully realized, buyers rushed into the space like college freshmen to a keg party, pushing valuations to the sector's all-time highs. The resulting frenzy distracted buyers from hospice. Acquisition demand fell, and with it, so did hospice valuations.

2009-2012: Home Health under scrutiny:
Advantage Hospice

In health care, one thing is as certain as another Trump tweet. If a sector generates out-sized returns, it will also draw the interest of government regulators and CMS. Under intense scrutiny, the sector was hit with a spate of government inquiries and charges, rate cuts, and bad press. So, yup, buyers flip flopped their way back to hospice.

2014-2016: Rebasing opens four-year window of predictable home health reimbursement:
Advantage Home Health

In mergers and acquisitions, buyers crave certainty. So, rebasing's comparative payment clarity over a four-year period (even with declining rates) juiced home health acquisition interest – and valuations – to near peak levels. And with the implementation of the first major change in hospice reimbursement, some of that interest came at the expense of hospice.

2019-2021 (predicted): PDGM freezes the home health M&A:
Advantage Hospice

PDGM is the biggest change to home health reimbursement since the initiation of PPS. So, buyers will do what they

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always do when faced with a known unknown. They hunker down until the known unknown becomes known (got that?). And with the revised payment model for hospice turning out to be a big yawn, buyers are scrambling for deals, pushing values to record levels.

So, what does this all mean if you are a hospice provider?

Well, sure as Starbucks will start pumping out the pumpkin spice, the current flip to hospice will flop back to home health.

> *If you've ever thought about selling your hospice business, you can cash in on the flip, and the positively giddy valuations that are there for the taking.*

The signs are as easy to spot as a guy trying to play it cool in a Victoria's Secret store.

- Demonstration projects folding hospice into Medicare Managed Care
- CMS turning all that expense information you've been providing into a more resource specific payment model
- And home health providers going all MacGyver on PDGM, figuring out how to make it work, and how to make it profitable.

So, if you've ever thought about selling your hospice business, you can cash in on the flip, and the positively giddy valuations that are there for the taking. Or wait out the inevitable flop until it eventually flips back.

But.

That might take 35 years*.

*dog

FOR MORE INSIGHT, PLEASE CONTACT OUR INDUSTRY EXPERT.

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