Hospice News

A robust hospice mergers and acquisitions market is showing no signs of slumping as interest among strategic buyers and private equity investors ramps up. A provider's performance within evolving value-based payment models may become a factor that potential buyers consider when eyeing a hospice acquisition, particularly as it pertains to their quality and outcomes data.

Private equity interest in the hospice sector has been gaining momentum in recent years, with hospice valuations hitting all-time highs and stepping up competition for acquisition targets. **Private equity hospice transactions rose nearly 25% between 2011 to 2020, according to M&A advisory firm The Braff Group.**

Awareness of the potential impact of value-based payment can help hospice providers remain competitive in an increasingly competitive marketplace, according to Mark Kulik, managing director at The Braff Group, who told Hospice News that paying attention to how they measure up to competitors will be increasingly important as evolving payment models impact hospice.

Launched this year, the value-based insurance design demonstration, commonly called the Medicare Advantage carve-in has already begun to open up hospice to both opportunities and risks in its first 90 days, with many hospices seeing positive impacts tied to these payment models.

"The larger players or strategics are pursuing that sophisticated level, and that's another component that needs to be considered if you're a hospice provider," said Kulik. "Various measurements are evolving that can help predict when a patient is likely to be eligible and benefit the most from moving onto hospice. That whole science of looking at predictive indicators is something that the bigger players are evaluating."

Along with opening up a wider base of payers, patient outcome data from value-based care programs could attract more interest from new private equity investors and other buyers.

Payer and provider partnerships will play an important role in hospices' ability to stand out from the crowd. These relationships offer incentives for hospices to improve patient and family experiences. This is an intended goal of value-based care initiatives, according to the U.S. Centers for Medicare & Medicaid Services (CMS).

Hospice providers focused on quality of care and patient satisfaction and outcomes will need to have the data to prove it, according to Kulik. Hospices will need to track patient outcomes, adapt their revenue cycle management processes and develop a new level of sophistication when it comes to payer partnerships.

"To stay successful and really be effective at managing your revenue cycle management, it's getting more sophisticated than it used to be for hospice providers. There's going to be various iterations of programs coming up and policies that are going to require different payers, and you've got to be able to partner with those different payers," Kulik told Hospice News. "That is something that's going to be new for hospice providers — that sophistication level."

Beneficiaries participating in Medicare Advantage generally give high ratings to their coverage and the services they receive, with as much as 98% reporting satisfaction, according to a recent Better Medicare Alliance poll. Though these data were collected prior to the launch of the VBID demonstration, patient perception nevertheless could make a world of difference for participating providers in the carve-in.

It may be premature to measure the full impact of the carve-in these early days of the program, including on M&A, but demonstrating a strong track record on quality and cost reduction — twin goals of value-based care — could make a hospice more attractive to buyers.

Exceptional quality scores are a driving force that could push a hospice to the forefront of investors' attention, according to Cory Mertz, managing partner of Florida-based M&A advisory firm Mertz Taggart.

"We really haven't seen Medicare Advantage having any impact on hospice M&A at the macro level, as it is still in its early stages," Mertz told Hospice News. "That said, although a [hospice] agency's participation in programs like these isn't a big factor in a buyer's evaluation of the company, it will have some positive impact, as it shows the company's commitment to its quality of care as the ultimate driver of its reimbursement."