After a 2021 which produced record deal flow in health care services, it was more or less a certainty that we would see a fall-off in 2022. And based on the past two quarters, that's right where we are.

If we annualize deal volume for the first half of the year, aggregate health care services (home health and hospice, behavioral health care, pharmacy services, health care staffing, and home medical equipment), is running about 21% behind 2021. That said, as illustrated in the accompanying chart, at the current pace, health care services is on track to tally 500 transactions, eclipsing the previous record set in 2020.

Every sector but one is lagging in 2022.

The big winner? No surprise here. Given the extraordinary staffing pressures being felt across all industries – and health care in particular – health care staffing deal flow is running 38% above last year’s record tally.

At the current pace, health care services is on track to tally 500 transactions, eclipsing the previous record set in 2020.
As alluded to above, 2022 figures are difficult to interpret due to the heightened deal volume in 2021. As illustrated in the chart below, the HME sector recorded its highest deal count since 2012. But difficulties with the supply chain, continued limited access to CPAP machines, and rising labor costs and gas prices have raised the sector’s risk profile, likely slowing deal flow.

In 2021, the HME sector posted its highest deal count since 2012.

Home Medical Equipment Deal Trends
Source: The Braff Group

Private Equity
This is particularly the case with private equity, which still doesn’t quite know what to make of the space.

Consider the chart illustrating PE investment trends in home medical equipment. Investors’ on again, off again, flirtation with the sector has contributed substantially to the unevenness of deal activity over the past decade.

Difficulties with the supply chain, continued limited access to CPAP machines, and rising labor costs and gas prices have raised the sector’s risk profile, likely slowing deal flow.
Despite an uptick in its risk profile and fall-off in deal flow thus far in 2022, we remain cautiously optimistic on home medical equipment M&A. Chief among the reasons why is the widely accepted notion that providing care in the home vs. higher cost institutional settings is a key driver to generating margins in various capitated and population health payment systems. Not only is this the reason why we’ve seen heightened deal flow in home health and hospice, it also explains increased investor interest in emerging hospital at home models that – by the way – require much of the equipment and services offered by HME providers.

And home medical equipment is a vital part of that solution. A solution that has boosted many areas of health care M&A. So, demand remains, especially for larger providers.

We also see sustained acquisition interest in distributors of specialty items including continuous glucose monitoring and CPAP.

Relying heavily on technology that supports patient acquisition, supply chain and customer management, distribution and logistics; these are areas that private equity often sees as fundamental to their "value-adds".

In the end, it may take more work – and time – to find the right buyer at the right price, but opportunities – both buying and selling – remain.
The Braff Group is the leading mergers and acquisitions advisory firm specializing exclusively in health care services, including behavioral health, home health, home care and hospice, home medical equipment, pharmacy services, staffing services, and ancillary services. The firm provides an array of sell-side only transaction advisory services including representation, debt and equity recapitalization, strategic planning, and valuation. Founded in 1998, The Braff Group has completed more than 375 transactions. According to Refinitiv, The Braff Group has repeatedly been ranked among the top 5 health care mergers & acquisitions advisory firms.

- Behavioral Health
- Home Medical Equipment
- Home Health, Home Care, and Hospice
- Health Care Staffing Services
- Pharmacy Services
- Ancillary Services

The Braff Group
1665 Washington Road, Suite 3 and 4
Pittsburgh, Pennsylvania 15228
888.922.5169
thebraffgroup.com