Overheard at the NAHC Annual Conference

Note: What you are about to read may cause your company to experience higher or lower valuations. Contact your Managing Director (below) to see how this affects your company.

Possibility that the CMS proposed rate cuts will be paused

- NAHC is advocating a “pause” to the 2024 Final Rule
- 15 Senators have signed a letter in support of a “bridge” on reimbursement for 2024
- However, the longer it takes for a Speaker of the House of Representatives to be elected, the narrower the window to enact legislative relief

Hospice facing increased regulatory oversight

- Increased utilization, long length of stay patients, negative press alleging that private equity-backed providers deliver lower quality services, and unusually high growth of providers in California are drawing scrutiny from regulators
- Likely that CMS will use recent expanded requirements on quality reporting to collect data that may be used to introduce benefit reforms
- Initial focus on GIPUs
- Unlikely to see near-term reform to the hospice benefit and/or reimbursement

HCBS 80% Rule continues to threaten critical personal care services

- Questions continue to swirl around the viability of a proposed rule mandating that 80% of HCBS reimbursement go to caregivers, how it would be administered, whether it is politically motivated (especially on the cusp of an election year), and why now, given stated goals to expand these programs
- There is substantial agreement that caregivers should be paid more, but absent increased funding (and razor-thin margins in many states), this is virtually impossible
- Final rule is expected in Q1 2024, however, insiders suggest that it could take as long as four years to implement it nation-wide

Implications for mergers and acquisitions

- The bad news is that buyers abhor uncertainty (and uncertainty abounds in home health and Medicaid home care), and deal volume globally across all industries has already tumbled due to increased interest rates, inflation, fear of a recession, staffing shortages, and unrest in Eastern Europe and the Middle East
- The good news is that it is widely acknowledged that home health and hospice is an essential component of alternative payment models designed to reduce overall cost of care
- The even “good-er” news is that private equity is sitting on more than $800B that they need to invest, and given how difficult it is to steal share in a referral driven business, M&A is often seen as the most practical – and timely – pathway to growth
- The “best-est” news is that in our currently low deal volume environment, competition for quality providers will be fierce, propping up valuations for the foreseeable future

If you would like to schedule a call with one of our industry experts, please email Lauren at lbonaccorsi@thebraffgroup.com.