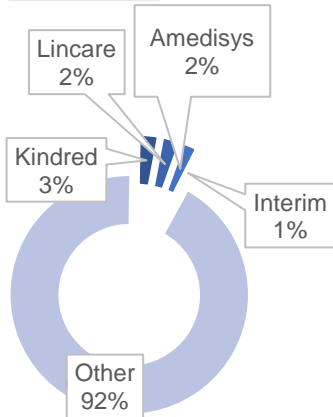


# Home Health & Hospice Industry Snapshot Q2 2021

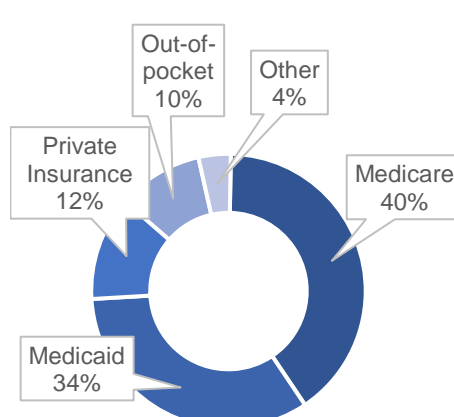
## Executive Summary

The Home Health & Hospice industry is among the fastest growing healthcare industries in the United States. Home care saves patients billions of dollars every year by treating them in their own homes instead of hospitals. An aging population, the prevalence of chronic diseases, growing physician acceptance of home care, medical advancements and a movement toward cost-efficient treatment options from public and private payers have all fostered industry revenue growth. Industry revenue has grown at an annualized rate of 3.3% to \$109.6 billion over the five years to 2021. Despite, the COVID-19 (coronavirus) pandemic's initial reduction in demand for industry services, greater illness and strong government support for have kept the industry growing. Industry revenue rose an estimated 1.9% in 2020 and is expected to inch up 0.1% in 2021. Despite strong growth, industry profit has been under pressure.

### Market Share



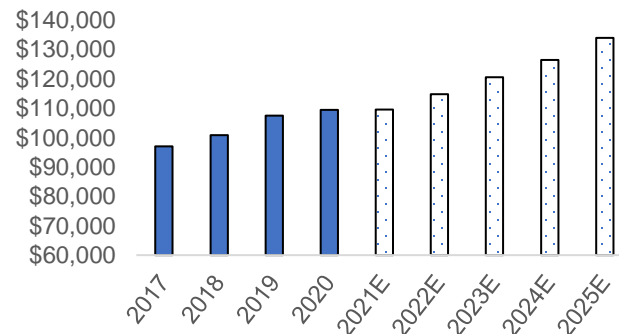
### Market Segmentation



## Sector Spotlight

- \$109.6B Home Health & Hospice revenue in 2021
- 5.1% Projected CAGR until 2026
- 429,045 Home Health & Hospice Businesses in 2021
- 555,114 Businesses projected in 2026
- 73.8% Of industry revenue from Medicare and Medicaid

### Revenue Growth (\$ in millions)



Over the five years to 2021, the popularity of services provided by these organizations has grown as more Americans age and cope with chronic conditions, bolstering demand for industry services. The laws governing these services and what exactly can be performed by home care agencies, home healthcare agencies or hospices vary from state to state.

## Segment Breakdown

### Price Continues to Drive Demand

The main driver of demand for the Home Care Providers industry is the affordability of home care compared with substitute services, particularly inpatient hospital care. According to Gentiva Health Services, Medicare Part A and Part B payments for home care average \$50.00 per day, which compares favorably with payments for hospice care (\$135.00), skilled nursing facilities (\$303.00) and hospitals (\$1,479). The demographics of the United States are developing favorably for the industry.

### Market is Highly Fragmented

The Home Care Providers industry is highly fragmented. We expect the three largest industry companies to generate less than 10.0% of industry revenue in 2021. As hospitalization costs have increased and aging consumers have embraced the home healthcare trend; many new operators have entered the industry over the five years to 2021. Although, the industry has experienced many new entrants, it has also been defined by mergers and acquisitions that the largest industry companies have undertaken in recent years

### Qualified Worker Shortage

This high demand for staff is projected to increase. According to the US Bureau of Labor Statistics, home healthcare is projected to have the third-fastest growing employment through 2026. As a result, industry employment is projected to grow at an annualized rate of 4.9% to 2.4 million employees over the five years to 2026. The average industry wage is projected to reach \$29,955 in 2026.

## Industry Outlook

The industry will benefit from increasing interest in home healthcare and expanded access to Medicare and Medicaid under the Patient Protection and Affordable Care Act (PPACA.) The aging population will likely continue to foster revenue growth because this demographic not only requires more healthcare services compared with other age groups, but it also increasingly prefers home care. Payers are expected to progressively shift to home care because it is more affordable than inpatient hospital and nursing home care. Despite these favorable trends, Medicare and Medicaid reimbursement cuts will likely continue to pose a threat to industry profit, encouraging large companies to grow even larger through mergers and acquisitions. Industry profit, measured as earnings before interest and taxes, is expected to account for 7.8% of revenue in 2026.d

## Barriers To Entry

Barriers to entry for the Home Care Providers industry are low, as evidenced by many industry players in operation. A few companies hold significant market share positions in the respiratory and home infusion therapy markets; nonetheless, there are also large numbers of regional and local providers in these market segments. Most segments of this industry are characterized by low capital costs and the personalized nature of the services provided. These low capital costs make it relatively easy for a new company to enter the industry because, instead of large upfront investments in equipment or property, most industry costs are limited to those associated with labor, including wage and transportation costs. Potentially significant barriers to industry entry include licensing and accreditation requirements, as well as the regulations required to obtain reimbursement from third-party payers. These barriers vary by geographic business location; some states lack licensing requirements.

## Recent Public Transactions

July 2018

**Humana**

Oct 2020

UNITEDHEALTH GROUP\*

June 2021



June 2021

**DEERFIELD**  
Advancing Healthcare™

June 2021



## Private Transactions

Date	Target	Acquirer	Sector	Deal Synopsis
06/21/2021	Kindred Healthcare	Apollo Global Management	Hospitals/Inpatient Services	The company entered into a definitive agreement to be acquired by LifePoint Health, via its financial sponsors Apollo Global Management and ATP Private Equity Partners, through an LBO on June 21, 2021.
03/26/2021	ViaQuest	Council Capital	Elder and Disabled Care	The company, a subsidiary of Salisbury Behavioral Health, was acquired by Council Capital through an LBO on March 26, 2021 for an undisclosed sum. In support of this transaction, White Oak Healthcare Finance provided an undisclosed amount of senior credit facility to the company.
07/01/2019	Alacare Home Health & Hospice	Encompass Health	Elder and Disabled Care	The company was acquired by Encompass Health (NYS: EHC) for \$217.8 million on July 1, 2019. The acquisition will expand Encompass Health's home health and hospice services to new markets and complement existing inpatient rehabilitation services in Alabama.
04/01/2018	Elizabeth Manor Healthcare and Rehabilitation Center	ProMedica	Elder and Disabled Care	The company was acquired by Quality Care Properties (NYSE: QCP) in April 2018 for an undisclosed sum.

## Public Comps

Ticker	Company	TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
AMED	Amedisys	2.4x	13.8x	20.1x	2.2x	16.5x	23.7x
LHCG	LHC Group	2.5x	25.8x	42.7x	2.2x	16.7x	23.9x
GENN	Genesis HealthCare	0.8x	24.1x		1.0x	13.8x	0.6x
APR	Apria Healthcare Group	1.3x	7.4x	25.0x	1.3x	6.7x	20.6x
AVAH	Aveanna Healthcare	0.9x	12.8x		0.8x	7.1x	15.5x