



HOME HEALTH AND HOSPICE

2020 was a chaotic year for many industries and the pandemic created a host of challenges for providers in this space. Employee and patient safety were of immediate concern, while operators grappled with ramping up telehealth operations and dealing the long-term impacts of the pandemic that could be felt for years to come.

TOP TRENDS IN HOME HEALTH AND HOSPICE FOR 2020

- As a result of the COVID-19 pandemic, hospice admissions have maintained their norms while home health admissions have experienced volatility tied to discharge volumes from acute settings or patients refusing visits for home health. Both hospice and home health operators have cited the limited availability and cost of PPE as a significant challenge.
- Hospice M&A activity was robust at the end of 2020, and home health M&A activity remained dormant at the end of 2020.
- The U.S. Centers for Medicare & Medicaid Services (CMS) issued its final 2021 home health payment rule, which provides an approximately \$390 million in additional home health payments for agencies (a 1.9% increase). The final rule falls short of CMS's original proposal which had included a \$540 million boost (or 2.6% increase).
- The new rule also makes certain COVID-19-related telehealth adjustments permanent, though it does not change anything in regards to direct reimbursement for virtual visits, which would require Congressional action.

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- 2020 saw the launch of the Patient Driven Groupings Model (PDGM) for Home Health Agencies, a major payment reform for the industry. Industry experts predicted PDGM would squeeze margins for smaller home health agencies and start a wave of industry consolidation. However, amid the COVID-19 public health emergency, the home health industry saw several subsidies and relief measures enacted that created an artificially positive environment for operators.

WHAT WE EXPECT IN 2021

- While there continues to be robust transaction activity, the sector remains highly fragmented with significant opportunity for existing organizations to expand through de novo and acquisition strategies. With the attractive valuation multiples and heightened investor interest in the post-acute sector, many business owners have begun to explore transaction opportunities in order to achieve a liquidity event and/or to accelerate growth within their organizations.
- **Brentwood Capital Associates** expects hospice M&A activity to continue in 2021. Hospice providers that also provide home health remained in favor in 2020 and we expect that trend to continue in 2021.
- While it is too soon to tell if pure Home Health M&A will come back to life in 2021, once the 2020 PDGM measures go away, Brentwood Capital Associates expects the previously anticipated wave of home health deal making and consolidation will occur.

“I expect consolidation of the home health market to pick up in 2021. Home health’s position as a low cost provider of healthcare services should drive increased utilization and increase investment in the home health space. In particular, specialized providers like pediatric home health providers should continue to undergo above average consolidation”



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- We will continue to see an emergence of **virtual visits** and remote patient monitoring. Payors are adapting by incorporating telehealth reimbursement into their payment methodology. We saw this with **Medicare's release of Waiver 1135** and other commercial payers offering a fee-for-service rate.

HOME HEALTH AND HOSPICE CLIENT HIGHLIGHTS

ANGELS OF CARE
PEDIATRIC HOME HEALTH

Angels of Care Pediatric Home Health acquisition of Nursing Solutions of Southern Arizona and its affiliates.



Capitalization of HomeFirst Home Healthcare

- There had been mounting momentum behind a unified payment model for post-acute care providers headed into 2020. In some ways, the public health emergency shifts post-acute care toward a universal payment model, and in other ways, it pushes the segment further away from it. The ongoing COVID-19 emergency has derailed a lot of that momentum, but conversations are starting to pick up again. Generally, the post-acute care landscape includes skilled nursing facilities (SNFs), in-patient rehabilitation facilities (IRFs), long-term care hospitals (LTCHs) and home health providers. Currently, these providers operate under setting-specific Medicare reimbursement mechanisms. A unified model would eliminate this separation, creating one payment system for all post-acute providers.

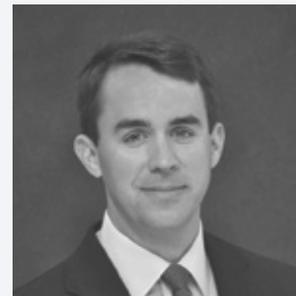
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- There is also a greater emphasis on outcomes as a driver of reimbursement under a unified post-acute payment system. Unifying payment also means unifying regulation. It also means unifying quality measurement across settings.
- The Biden administration is expected to look at the post-acute care space and the idea of unified payments as a way to get some savings out of the Medicare program.

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