



Hospice care services M&A

KPMG Corporate Finance LLC

May 2020

U.S. hospice care services market overview

The growing aging population across the U.S., coupled with reimbursement from Medicare and Medicaid and the general shift towards at-home end-of-life care, has impelled the hospice care services market in the U.S.

- Hospice care refers to specialized interdisciplinary care for those with limited life expectancies.
- With approximately 1.5 million Americans receiving hospice care every year, the demand for high-quality end-of-life care is projected to rise in years to come.
 - From Q1 2018 to Q1 2019, hospice average length of stay climbed from 74.5 to 77.9 days, representing the growing acceptance of hospice care services.²
- Expanding population pool of aged people, coupled with increasing caseload of chronic life-limiting diseases, favorable payor environment, and lower cost of care serve as catalysts for sustainable growth of the hospice care industry.
- Hospice space is continuously evolving, and providers are gearing up for more changes, including movement towards value-based payment models and reimbursement cuts.
- A Medicare Advantage hospice carve-in program has been designed to control costs, reduce avoidable hospitalizations, increase access, and improve care coordination.
- Center for Medicare & Medicaid Services (CMS) also rebased hospice payment rates for FY 2020, cutting the payment for routine home care and increasing the per diem for continuous home care, general inpatient care, and inpatient respite care.
- Amid the impact of COVID-19, CMS has released new waivers that pertain to physical environment and life safety code rules for inpatient hospices.
 - Hospice providers can now provide services to a Medicare patient receiving routine home care through telehealth technology during the current environment.
 - CMS has also delayed the filing deadline of certain cost reports due to the COVID-19 outbreak.

Sources:

¹ NHPCO Facts and Figures 2018 EDITION (REVISION 7-2-2019)

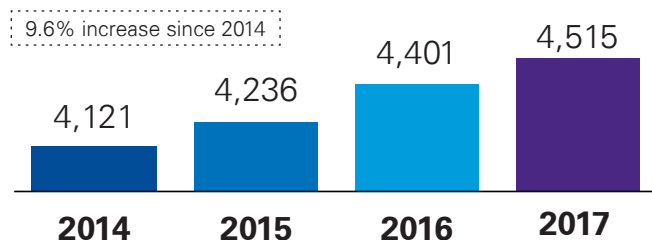
² Trella Health—Industry Trend Report 2019

³ IBISWorld Industry Report—Hospices & Palliative Care Centers in the US (April 2019)

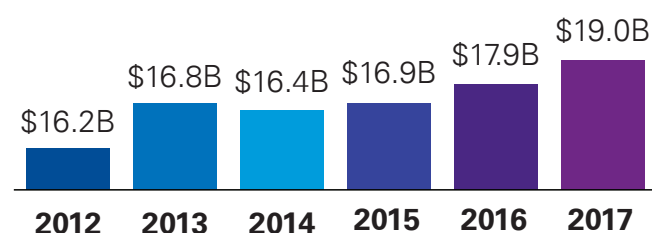
Medicare reimbursement base rates for hospices ⁷			
	FY 2018	FY 2019	FY 2020
Routine home care (1–60 days)	\$193.03	\$196.50	\$194.75
Routine home care (61+ days)	\$151.61	\$154.41	\$153.92
Continuous home care full rate (hourly rate)	\$40.70	\$41.57	58.17
Continuous home care full rate (payment rate)	976.80	999.77	1,396.17
Inpatient respite care	181.87	185.27	473.79
General inpatient care	743.55	758.07	1,021.25

Additionally, the FY 2019 cap was \$29,205.44, while the FY 2020 cap ending on September 30, 2020 is \$29,964.78.

Medicare-certified hospices in the U.S.⁴

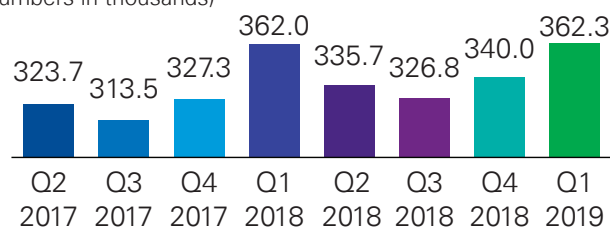


Medicare spending on hospice care⁴

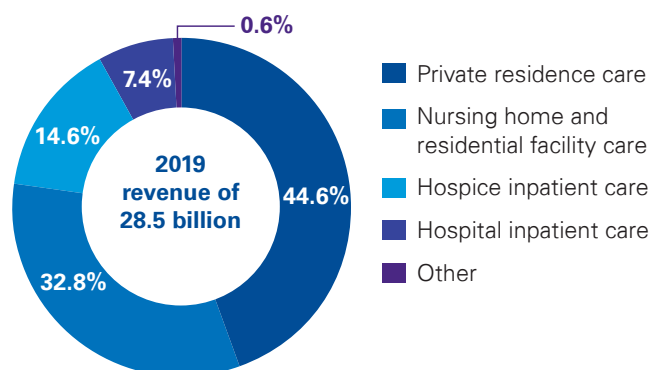


Hospice admissions by quarter⁵

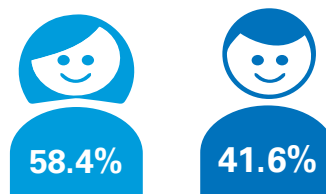
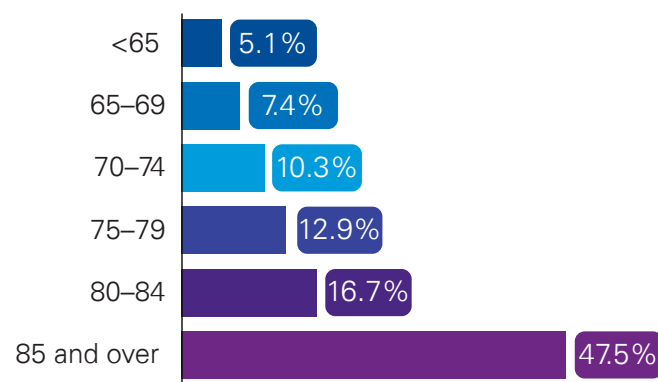
(Numbers in thousands)



Service segmentation⁶



Demographic profile of Medicare beneficiaries receiving hospice care (2017)⁴



Females make up more than half of hospice Medicare beneficiaries

Sources:

⁴ NHPCO Facts and Figures 2018 EDITION (REVISION 7-2-2019)

⁵ Trella Health—Industry Trend Report 2019

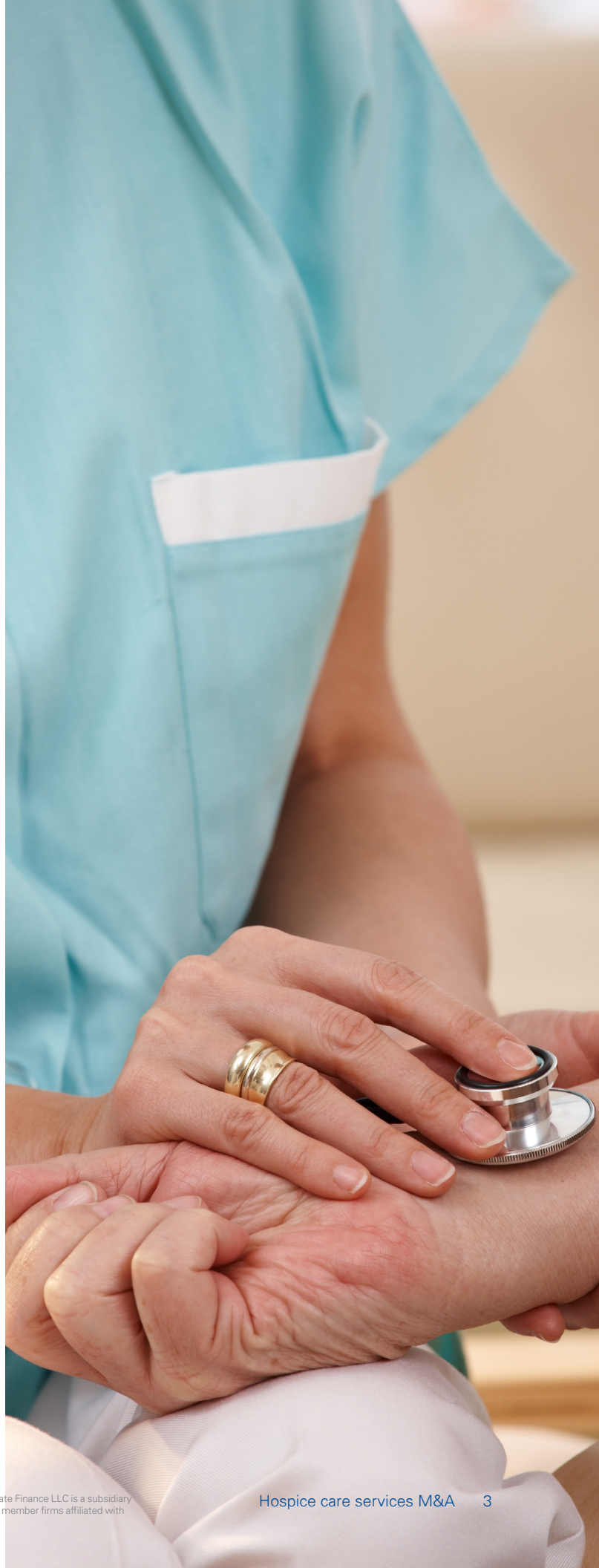
⁶ IBISWorld Industry Report—Hospices & Palliative Care Centers in the US (April 2019)

⁷ The Centers for Medicare & Medicaid Services

Hospice care industry M&A activity overview

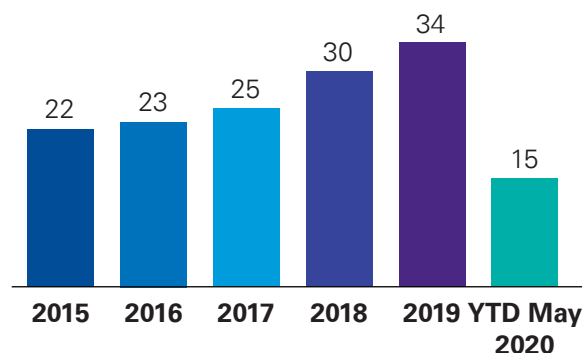
The highly fragmented U.S. hospice care market dominated by small regional groups creates attractive dynamics for consolidation.

- Hospice care services market in the U.S. is highly fragmented and is largely served by small, regional players.
- The industry has garnered significant interest from both private equity firms and strategic investors, and these buyers have been very active in expanding their home health and hospice businesses.
 - Investors are interested to grow their patient census, add new locations, and enter new geographies.
 - Other investors have entered the space to expand into new service lines and leverage potential synergies.
 - This diverse investor base warrants greater flexibility and opportunities for home health and hospice companies in a deal process.
- Investors are also looking to scale their operations as it is required for the development of an IT platform (EMR/care management, CRM, quality reporting and analytics), drug sourcing, staffing, and negotiating.
- Additionally, growing concerns about the implementation of a Patient-Driven Groupings Model (PDGM) in the home healthcare sector has started to shift the focus of investors towards the hospice sector, as this type of payment model has not yet been implemented.
- Further, due to increased competition and a shrinking number of platform opportunities available in the sector, multiples are expected to remain elevated going forward.



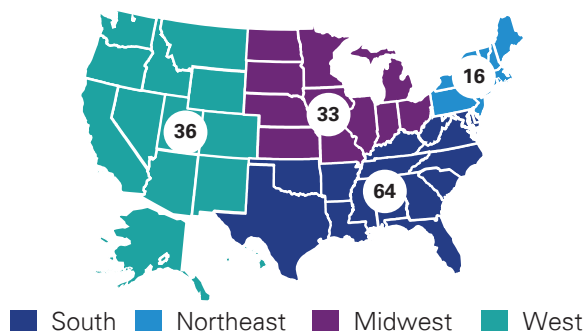
Hospice care practice M&A activity⁽¹⁾

Deal activity since 2015



Sources: ⁽¹⁾ Capital IQ and Press releases.

Deals activity by geography since 2015



Key factors driving consolidation activity in the sector



Fragmented market

The sector is highly fragmented, presenting an opportunity to embark roll-up strategy of smaller hospice companies that may be lacking the data capabilities and scale necessary to comply with regulatory changes.



Changing regulatory landscape

Movement towards value-based payment models such as the 2021 Medicare Advantage hospice carve-in or the U.S. Centers for Medicare & Medicaid Services' Primary Care First Initiative will put financial stress on operators in the industry.



Diverse service offerings

Hospices are looking to diversify their service offerings to develop new sources of revenue and engage patients and families further upstream.



Favorable macrorends

Rising prevalence of chronic life-limiting diseases and aging American demographics present significant growth potential, thus fueling the interest of buyers in the sector.



Better negotiating power

Larger companies can capitalize on economies of scale and are better able to negotiate with payors. Smaller groups are utilizing M&A to leverage the scale and infrastructure of larger companies.






























Selected precedent hospice care M&A transactions

Closed date	Target name	Target location	Acquirer name	EV (\$USD millions)	EV/ Revenue	EV/ EBITDA
Pending	AseraCare Hospice	AR	Amedisys	\$235.0	2.0x	NA
Jan-20	Asana Hospice	TX	Amedisys	\$67.0	NA	NA
Oct-19	Hospice Compassus	TN	TowerBrook Capital Partners; Ascension Health	\$1,000.0	NA	NA
Oct-19	Hospice Partners of America	AL	Addus HealthCare	\$128.7	2.5x	26.4x
Aug-19	Alliance Home Health Care/House Calls of New Mexico/Operating Assets of Foremost	NM	Addus HomeCare Corporation	\$24.0	1.0x	NA
Jul-19	Alacare Home Health & Hospice	AL	Encompass Health Corporation	\$217.5	1.9x	NA
Apr-19	RoseRock Healthcare	OK	Amedisys	\$17.5	NA	NA
Mar-19	BrightSpring Health Services	KY	PharMerica Corporation	\$1,320.0	0.7x	NA
Feb-19	Compassionate Care Hospice Group	NJ	Amedisys	\$324.5	1.6x	12.0x
Jul-18	HCR ManorCare	OH	ProMedica Health System	\$6,142.2	1.6x	16.8x
Jul-18	Curo Health Services	NC	TPG Capital; WCAS; Humana	\$1,400.0	NA	NA
May-18	Ambercare Corporation	NM	Addus HealthCare	\$40.0	0.7x	NA
May-18	Camellia Healthcare	MS	Encompass Health Corporation	\$135.0	1.7x	NA
Sep-17	All About Home Care	RI	Nova Leap Health RI	\$1.2	0.6x	NA
Aug-17	U.S. Medical Management	MI	Centene Corporation	\$156.1	NA	NA
Jul-17	Judith Karman Hospice	OK	Stillwater Medical Center Authority, Oklahoma	\$0.9	NA	NA
May-17	Tenet Healthcare, Six Home Health and Hospice Care Centers	TX	Amedisys	\$20.5	NA	NA
Apr-17	Hospice of Arizona	AZ	Hospice Partners of America	\$2.7	NA	NA
Apr-17	Hospice of New Jersey/ Embracing Hospice Care/ Frontier Hospice	NJ	Hospice of New Jersey; Peaceful Harbor Hospice; Hospice of Central Oklahoma	\$0.6	NA	NA
Mar-17	FMC-Deep East Texas/ FMC Hospice-Conroe/ Hospice of Central Virginia	FL	Hospice Partners of America	\$5.5	NA	NA
Jul-16	Hospice of Southern Illinois	IL	Cedarhurst Living	\$2.1	NA	NA
May-16	Genesis Healthcare - Majority of Home Health and Hospice Operations	PA	Hospice Compassus	\$84.0	1.2x	9.3x
Nov-15	CareSouth Health System	GA	EHHI Holdings	\$170.0	1.6x	NA
Oct-15	Halcyon Healthcare	GA	LHC Group	\$58.5	1.4x	NA











Sources: Capital IQ and Press releases.

Note: Representative hospice care transactions with disclosed enterprise value.

Select recent KPMG Corporate Finance LLC transactions

 <p>Project Lion</p> <p><i>A gastroenterology physician practice</i></p> <p>Ongoing</p>	 <p>Project Wave</p> <p><i>An anesthesia physician group</i></p> <p>Ongoing</p>	  <p><i>Has been acquired by</i></p>  <p><i>A portfolio company of</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>
  <p><i>Has been acquired by</i></p>  <p><i>A portfolio company of</i></p>   <p>Closed</p>	  <p><i>Has been recapitalized by</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>	  <p><i>Has received growth investment from</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>

Select recent KPMG LLP Deal Advisory credentials

 <p>Abode Healthcare (Tailwind Capital)</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence assistance on its acquisitions of Springhill Home Health and Hospice and Nursing in Touch</i></p> <p>Ongoing</p>	 <p>Islands Hospice (Accord Capital)</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence assistance on sale</i></p> <p>Ongoing</p>	 <p>Kelso & Company and Blue Wolf Capital</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence on its acquisition of Jordan Health Services, Great Lakes Caring, and National Home Care</i></p> <p>Ongoing</p>	 <p>Aveanna Healthcare</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence on its acquisition of Maxim Healthcare Services' Home Health Division and Premier Healthcare Services</i></p> <p>Closed</p>	 <p>Bayada Home Healthcare</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence on its acquisition of VNA Health Group providing home health, hospice and palliative home care</i></p> <p>Closed</p>
 <p>Private Equity Client</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence on a potential acquisition of a hospice provider</i></p> <p>Closed</p>	 <p>Strategic Client</p> <p>KPMG Deal Advisory</p> <p><i>Financial and tax due diligence assistance on its acquisition of a hospice provider with 20 locations across 6 states</i></p> <p>Closed</p>	 <p>Strategic Client</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence assistance on its acquisition of a hospice care provider in the Southeast</i></p> <p>Closed</p>	 <p>Addus Homecare Corporation</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence on its acquisition of Jordan Health Services, Great Lakes Caring, and National Home Care</i></p> <p>Closed</p>	 <p>Strategic Client</p> <p>KPMG Deal Advisory</p> <p><i>Financial due diligence assistance on its acquisition of a home healthcare company located in the Northeast</i></p> <p>Closed</p>

*Represents the global Corporate Finance practice of KPMG International's network of independent member firms

KPMG Corporate Finance LLC healthcare investment banking team



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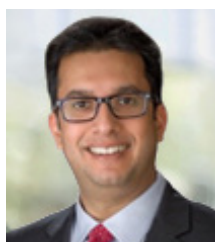
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2015–2019 global adviser ranking ⁸		# of deals
1.	KPMG*	2,462
2.	PwC	2,200
3.	Deloitte	1,631
4.	Rothschild & Co.	1,513
5.	Ernst & Young LLP	1,403
6.	Houlihan Lokey	1,275
7.	BDO	1,029
8.	IMAP	957
9.	Lazard	935
10.	Industrial & Comm. Bank China	916

2010–2019 global adviser ranking ⁸		# of deals
1.	KPMG*	4,321
2.	PwC	4,135
3.	Deloitte	2,827
4.	Ernst & Young LLP	2,654
5.	Rothschild & Co	2,552
6.	Houlihan Lokey	2,347
7.	BDO	1,883
8.	Lazard	1,859
9.	Goldman Sachs & Co	1,813
10.	Morgan Stanley	1,685

Global coverage. Industry knowledge. Middle-market focus.

The global Corporate Finance practice of KPMG International's network of independent member firms was ranked No.1 as the top M&A middle-market adviser globally by Refinitiv, based on number of completed transactions for 2010 to 2019.

KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network and previously named investment Bank of the Year by the M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

⁸ League tables include completed deals which have value between \$0 million to \$500 million and also where deal value is not disclosed, as of January 2, 2020.

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