

Home Healthcare & Hospice Monthly Newsletter

January - February 2020

PRIVATE AND CONFIDENTIAL

Home Healthcare & Hospice– Monthly News

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Public Market Overview

Company	Share Price (\$)	52-Week		% Change in Share Price			Market Cap (\$mn)	Enterprise Value (\$mn)	EV / Sales		EV / EBITDA		
		High (\$)	Low (\$)	1 Week	1 Month	1 Year			LTM	CY19E	LTM	CY19E	
Encompass Health Corporation	76.5	83.3	56.7	(3.4%)	(0.6%)	20.0%	6,829.5	11,321.9	2.46x	2.46x	12.4x	11.7x	
Chemed Corporation	450.1	513.8	313.5	(5.2%)	(3.6%)	36.5%	7,003.3	7,445.3	3.84x	3.84x	23.5x	21.2x	
Amedisys, Inc.	176.4	202.8	106.7	(8.0%)	(0.0%)	42.0%	5,388.9	5,930.0	3.03x	3.02x	28.7x	26.3x	
LHC Group, Inc.	125.3	159.5	98.4	(16.6%)	(14.0%)	14.5%	4,269.5	4,378.6	2.10x	2.10x	20.8x	20.6x	
Genesis Healthcare Inc Class A	1.6	1.9	0.9	(7.3%)	9.3%	24.2%	120.3	4,152.7	0.90x	0.92x	13.1x	25.6x	
Addus HomeCare Corporation	82.1	104.6	59.6	(14.9%)	(13.0%)	23.4%	891.0	1,116.2	1.86x	1.73x	27.2x	20.0x	
National HealthCare Corporation	72.4	89.5	70.9	(8.1%)	(13.7%)	(10.6%)	1,325.2	1,110.9	1.11x	NA	11.7x	NA	
									Low	0.90x	0.92x	11.7x	11.7x
									Mean	2.19x	2.35x	19.6x	20.9x
									Median	2.10x	2.28x	20.8x	20.9x
									High	3.84x	3.84x	28.7x	26.3x

NM implies outlier multiples; NA implies Not Available

EV/Sales 0.0x – 5.0x; EV/EBITDA: 0.0x – 30.0x

As of 02/03/2020

Source: FactSet

Headline News

- February 10, 2020: Encompass Health's 2020 M&A Strategy Leans Towards Hospice**
 Encompass Health targets large acquisitions in the home health and hospice space during 2020 with an emphasis on hospice, due to disruption in the home health sector resulting from the Patient Driving Groupings Model (PDGM). Effective Jan. 1, 2020 Medicare began reimbursing home health care providers through PDGM, which classifies patients into payment categories based on clinical characteristics and other patient information and shifts the home health payment model to a 30-day payment period rather than the current 60-day episode. Despite record high multiples in the hospice sector, Encompass will be in the market for new opportunities, particularly for companies that are backed by private equity firms. *Source: [Link](#)*
- January 08, 2020: Why Homecare is the Answer to 2020's Big Health Care Questions**
 Home health care spending accounted for less than 3% of total health care spending i.e. \$1.2 trillion in 2018—about a third of all U.S. health care spending. While combined health care spending increased 4.6% in 2018, a slight increase over the growth rate of 2017, home health care spending grew at a healthy 5.2% clip, up noticeably from 4.6% in 2017 and 4.2% in 2016. Home health spending has increased by 30% in the last five years and current projections estimate almost \$187 billion to be spent on home health care in 2027. *Source: [Link](#)*

M&A News

- January 28, 2020: Eden Health Purchased Legacy Home Healthcare; Trade Associations Merge**
 As a part of the transaction, Eden Health will take over Legacy Home Healthcare's two locations in Sierra Vista and Safford, Arizona. The acquisition of these two home health agencies will pair nicely with our existing in-home hospice presence in both markets, which will provide a seamless transition from one care setting to the next said Jamie Brown, vice president of home services at Eden Health, in a press release.
Source: [Link](#)
- January 28, 2020: Hospice Care of South Carolina Purchased Agape Hospice**
 Hospice Care of South Carolina (HCSC) has completed the acquisition of Spartansburg, S.C.-based Agape Hospice for an undisclosed sum. HCHC is a portfolio company of The Vistria Group, a private investment firm located in Chicago. The combined company's more than 800 employees care for a patient population that exceeds 1,400 people throughout 46 South Carolina counties.
Source: [Link](#)
- January 27, 2020: PromptCare Acquired Premier Specialty Infusion**
 The PromptCare Companies ("PromptCare" or the "Company"), a regional provider of complex respiratory and specialty home infusion services, announced it has acquired Premier Specialty Infusion ("Premier") from the family of the CEO, Mr. Ashar Hasan. The acquisition will further expand PromptCare's footprint in the Midwestern United States. Terms of the transaction were not disclosed.
Source: [Link](#)
- January 8, 2020: The Pennant Group Lands New Home Health Agency**
 The Pennant Group announced its home health and hospice portfolio subsidiary, Cornerstone Healthcare, has acquired the assets of Desert View Home Health, which provides home health services in Clark County, Nevada. The acquisition became effective on Jan 1., turn into a combined operation renamed Comfort Home Health and Hospice. The Pennant Group — recently spun off from post-acute company The Ensign Group (Nasdaq: ENSG) — did not disclose financial terms of the deal.
Source: [Link](#)

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- **January 7, 2020: Care Advantage Completed Acquisition of Amaisa Home Care**
Care Advantage, provider of home healthcare services in the Mid-Atlantic and a BelHealth Investment Partners (“BelHealth”) portfolio company, announced the acquisition of Amaisa Home Care (“Amaisa” or the “Company”). Amaisa provides in-home personal care, companionship and respite care services to patients from its location in Leesburg, Virginia on both an hourly and live-in basis. Tim Hanold, CEO of Care Advantage, said, that this acquisition will enhance their market presence in Northern Virginia, which is one of their key markets.
Source: [Link](#)
- **January 6, 2020: LHC Group Completed Two Hospice Acquisitions**
LHC Group, Inc. and its joint venture partner Ochsner Health System have completed the acquisitions of five Egan Home Health and Hospice locations in Louisiana, as well as the purchase of Bryant, Ark.-based Saline Memorial Hospice with its joint venture partner LifePoint Health. Financial terms for both transactions were not disclosed. The Saline Memorial acquisition with LifePoint is expected to yield \$5.4 million annually.
Source: [Link](#)
- **January 03, 2020: Complia Health Announced the Strategic Acquisition of the Procura Division by AlayaCare**
Complia Health announced the acquisition of the company’s Procura division by Montreal-based AlayaCare. The combined business will offer enterprise solutions for home, residential and community care in Canada, Australia and New Zealand. AlayaCare will acquire all Procura assets, people and customer contracts and will move forward under the AlayaCare brand. Procura has delivered home, residential and community care solutions since 1989, improving clinical, financial and operational efficiencies for some of healthcare’s most reputable agencies.
Source: [Link](#)
- **January 02, 2020: Amedisys Completes Acquisition Of Asana Hospice**
Under the terms of the agreement, Amedisys acquired 100 percent of its membership interests. As a result of the acquisition, Amedisys adds eight locations in Pennsylvania, Ohio, Texas, Missouri and Kansas to its hospice network. The Company now owns and operates 146 hospice care centers in 33 states, providing care to more than 12,000 patients daily.
Source: [Link](#)
- **December 23, 2019: Traditions Health Acquired Guiding Hospice**
Traditions Health, LLC has purchased privately owned Round Rock, Texas-based Guiding Hospice, growing the company’s footprint in the Austin area. Financial terms of the transaction were not disclosed. Traditions is a portfolio company of family-owned investment firm Dorilton Capital Advisors.
Source: [Link](#)
- **December 18, 2019: LHC Group and Ochsner Health System announced acquisition expanding partnership**
LHC Group, Inc. and Ochsner Health System (Ochsner) announced an expansion of their joint venture partnership – Southeast Louisiana HomeCare – with an agreement to purchase five Egan Home Health and Hospice provider locations across South Louisiana. LHC Group and Ochsner have been home health joint venture partners since 2009. Through their partnership, the two healthcare organizations have improved the overall quality ratings for their agencies, as well as reduced hospital readmission rates. LHC Group expects approximately \$16 million in annualized revenue from this purchase.
Source: [Link](#)
- **December 16, 2019: Humana Agreed to Purchase Hospice Pharmacy Provider Enclara**
Insurance giant Humana (NYSE: HUM) has entered into a definitive agreement to acquire Philadelphia-based hospice pharmaceutical provider and benefit manager Enclara Healthcare, for an undisclosed amount. Enclara’s business is focused primarily on hospice, providing comprehensive pharmacy and pharmacy benefit management services. Enclara currently serves more than 450 hospices nationwide. This combination will allow Enclara to accelerate innovation aimed at delivering timely and cost-effective pharmacy solutions.
Source: [Link](#)
- **June 18, 2018: Anthem, Inc. Completed Acquisition of Aspire Health**
Anthem, Inc. announced the completion of its acquisition of Aspire Health, provider of non-hospice, community-based palliative care for people facing serious illness. With the addition of Aspire, it is able to expand capabilities and serve a broader set of consumers in the home and other settings outside of the hospital, while further deepening our relationships within the healthcare community. The addition of Aspire to Anthem’s other clinical care services, such as CareMore and AIM, will provide tremendous benefit to their consumers, customers, health plan and provider partners as well as future growth opportunities for our company. Aspire Health will operate as a wholly-owned subsidiary of Anthem, and its associates will join Anthem’s Diversified Business Group. Financial terms of the transaction were not disclosed, and the transaction is expected to be neutral to earnings in 2018 and accretive to earnings in 2019. Source: [Link](#)

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Industry News

- **February 14, 2020: Senators Concern Over Home Healthcare in Underserved Communities**
At present, the home healthcare sector cannot meet the needs of elderly citizens, especially in rural communities. This shortage will require swift action from Congress as the demand for home health care services is projected to increase as the U.S. population ages and people live longer. Lawmakers will have to help solve a few key issues so the home healthcare industry can meet the growing demand for home health care, especially in small towns. Some of the issues include funding (cuts to Medicaid), antiquated provisions written into the benefits, and attracting qualified healthcare workers, particularly to rural communities. In rural areas, which tend to have a higher elderly population, and isolated settings, home health care workers can be a lifeline for those elderly residents.
Source: [Link](#)
- **February 12, 2020: CMS Watching Home Health Providers Closely Amid Shifting Therapy Strategies**
Since Jan. 1, several industry-leading providers that Home Health Care News has connected with in the aftermath of the Patient-Driven Groupings Model (PDGM) have reaffirmed their commitment to therapy in their service mix. Those providers include Birmingham, Alabama-based Encompass Health Corporation (NYSE: EHC) and Moorestown, New Jersey-based Bayada Home Health Care, just to name a few. But while some providers take tempered, responsible approaches to therapy under PDGM, it's becoming increasingly clear that many others are not. Stories of widespread layoffs of PTs, OTs and SLPs persist — and now new reports of agencies incorrectly telling their patients that Medicare no longer covers therapy under the home health benefit have surfaced. That kind of misconception is dangerous for providers and Medicare beneficiaries alike.
Source: [Link](#)
- **February 11, 2020: Hospice Providers: Staffing is Our Top 2020 Challenge**
Concerns about staffing outweigh worries about growing competition in the hospice space as well as emerging payment models that stand to transform aspects of the industry such as the Medicare Advantage hospice carve-in and the Primary Care First initiatives. More than 26% of respondents indicated that staffing would be the greatest challenge hospice providers would face during 2020, compared to 18% who cited increased competition and another 18% who said new payment models were their biggest concern. Hospices are already struggling to fill their ranks.
Source: [Link](#)
- **January 31, 2020: Accessing Hospice PEPPER Reports Can Help Avoid Audits**
Hospices who understand and consider their Program for Evaluating Payment Patterns Electronic Reports (PEPPER) from their Medicare Administrative Contractor (MAC) can leverage that information to anticipate and correct payment issues that could lead to targeted probe and education (TPE) audits if left unaddressed. PEPPER contains provider-specific Medicare claims data that may indicate or create the perception of inappropriate or excessive payments. Hospices can access the annual reports electronically. Medicare contractor TMF Health Quality Institute generates the reports each April.
Source: [Link](#)
- **January 30, 2020: Hospice Saw Largest 2019 M&A Deals in Care-at-Home Sector**
About 101 transactions occurred in those sectors combined during 2019, a 20% drop from the 127 that happened during 2018. Of those, 42 involved hospice, compared to 36 for home care and 42 for home health deals. According to Mertz Taggart Managing Partner, Cory Mertz, 2019 was a big year, particularly for hospice deals, and trend is most likely to continue in the near future for many reasons. Among those reasons are strong demographic tailwinds as the population ages, as well as greater awareness and acceptance of hospice care among the public. Utilization is also rising, exceeding 50% among Medicare decedents in 2018, the highest rate recorded for any year to date.
Source: [Link](#)
- **January 28, 2020: Work Advancing on CMS Hospice Outcomes & Patient Evaluation Tool**
The U.S. Centers for Medicare & Medicaid Services (CMS) is currently recruiting hospice providers to participate in a pilot test of the forthcoming Hospice Outcomes & Patient Evaluation (HOPE) tool, which when completed will replace the Hospice Item Set (HIS) quality reporting system. According to CMS, hospices will use the tool to assess patients in real-time based on their interactions rather than through the retrospective chart reviews currently used to comply with HIS requirements. The agency has indicated that it expects the tool to jumpstart quality improvement activities and be a less demanding method than HIS for measuring performance.
Source: [Link](#)
- **January 27, 2020: St. Croix Hospice adopted newly developed predictive modelling technology**
St. Croix Hospice is the only hospice agency to implement a newly developed predictive modelling technology which enhances hospice patient care in the critical final days of life. Hospice quality measures include in-person care in both the last seven and three days of life when death is imminent. Although St. Croix Hospice has historically been above state and national averages for those visits, the agency launched the Voyage Vigil Program in 2019 to further ensure we are there for patients, families and caregivers at the end of life.
Source: [Link](#)

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- **January 23, 2020: CMS Administrator Seema Verma: Home Health Compare Overhaul Is on Its Way**
The Centers for Medicare & Medicaid Services (CMS) announced that users of Home Health Compare — its consumer-facing database of home health provider quality information — can expect to see a major revamp. CMS plans to roll Home Health Compare and seven other Compare sites into one tool called “Medicare Care Compare” sometime in spring. CMS Administrator Seema Verma said in blog post that to meet the needs of today’s Medicare beneficiaries and improve the online Medicare customer experience, CMS plans to combine and standardize these eight existing Compare tools, allowing users to access the same information through a single point of entry and simplified navigation to find the information that is currently divided in places like Nursing Home Compare and Hospital Compare.
Source: [Link](#)
- **January 21, 2020: Patients Want To Die At Home, But Home Hospice Care Can Be Tough On Families**
According to a recent Kaiser Family Foundation poll, seven in 10 Americans say they would prefer to die at home. And that's the direction the health care system is moving, too, hoping to avoid unnecessary and expensive treatment at the end of life. As acceptance grows among physicians and patients, the numbers continue to balloon — from 1.27 million patients in 2012 to 1.49 million in 2017. According to the National Hospice and Palliative Care Association, hospice is now a \$19 billion industry, almost entirely funded by taxpayers.
Source: [Link](#)
- **January 13, 2020: Hospices Take Note: ACOs Focused on Reducing Hospitalizations**
Accountable care organizations (ACOs) view prevention of hospitalization, readmissions and emergency department visits as top priorities, according to new research published in Health Affairs. Close to 1,000 ACOs cover 44 million patients nationwide as of the third quarter of 2019, prior research has found. The programs are designed to improve the quality of care while generating cost savings, according to the U.S. Centers for Medicare & Medicaid Services (CMS). Among the key issues that many ACOs are very focused on are metrics like emergency department visits, inpatient hospitalizations, readmissions, and that’s where the thinking is given the focus of [ACO] programs. Hospice and palliative care providers may need to think about this and articulate how their programs are going to affect those particular metrics, since that’s where a lot of the energy for ACOs is right now.
Source: [Link](#)
- **January 08, 2020: Muse Healthcare Introduces New Hospice Software**
Muse Healthcare announced the launch of its advanced machine learning technology for hospice providers. The solution analyzes hundreds of thousands of data points from millions of visits, vital signs, orders and more to identify which hospice patients are most likely to transition within seven to 12 days. Equipped with that information, hospice providers can more appropriately schedule care intervals and levels to best serve their patients, their families and enhance hospice care quality. This tool provides the clinical team with additional insights they need to identify a patient's final days.
Source: [Link](#)
- **December 17, 2019: Hospice Mergers and Acquisitions Outlook for 2020**
Demographic growth and the availability of capital are among a handful of forces driving a robust mergers and acquisitions market in the hospice space, motivating companies to make acquisitions at a relatively brisk pace. From 2016 to 2018, the hospice M&A space saw more than 10 transactions of \$250 million or more in total enterprise value, according to the health care-focused investment firm Cain Brothers and Company, LLC. The market continued to flourish in 2019, even displaying an uptick during its first three quarters. Fourteen hospice transactions occurred during Q2 of 2019, up from eight in Q1, according to a report from M&A advisory firm Mertz-Taggart. And last summer, auditing and consulting firm PwC reported that for the third quarter in a row, hospice companies have seen the highest multiples of any health care sector in M&A transactions, reaching 22.7x in the second quarter of 2019.
Source: [Link](#)

Company-Specific News

- **January 06, 2020: LHC Group finalized transactions expanding joint ventures**
LHC Group, Inc. announced that it has finalized joint venture (JV) purchase and expansion agreements with partners in Texas, Arkansas, and Louisiana – all effective as of January 1, 2020. These transactions represent annualized revenue of approximately \$23.8 million. DFW Home Health – a separate legal entity jointly owned by partners LHC Group, Texas Health Resources, and North Texas Health Facilities Management, Inc., a subsidiary of Methodist Health System – has completed purchase of a home health provider serving patients and families in Arlington, Texas. LHC Group expects approximately \$2.4 million in annualized revenue from this transaction. The agency name will change to DFW Home Health Arlington. LHC Group and JV partner LifePoint Health finalized a purchase agreement adding two additional locations – a home health provider and a hospice provider – in Bryant, Ark., that are associated with LifePoint’s Saline Memorial Hospital. LHC Group expects approximately \$5.4 million in annualized revenue from this transaction. LHC Group and Ochsner Health System have purchased five Egan Home Health and Hospice provider locations across South Louisiana as part of their existing JV partnership, operating as Southeast Louisiana Home Care.
Source: [Link](#)

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- January 06, 2020: LHC Group Marketing Total Cost of Care to ACOs, Payers**

U.S. health care spending soared past \$3.6 trillion in 2018, nearly one-fifth of the country’s gross domestic product (GDP). To curb that spending, stakeholders throughout the continuum of care are beginning to think more about “total cost of care” and less about isolated episodes. Some of the largest in-home care providers are among those stakeholders, including Lafayette, Louisiana-based LHC Group Inc. Founded in 1994, LHC Group currently provides home health, hospice and personal care services throughout 35 states and Washington, D.C.

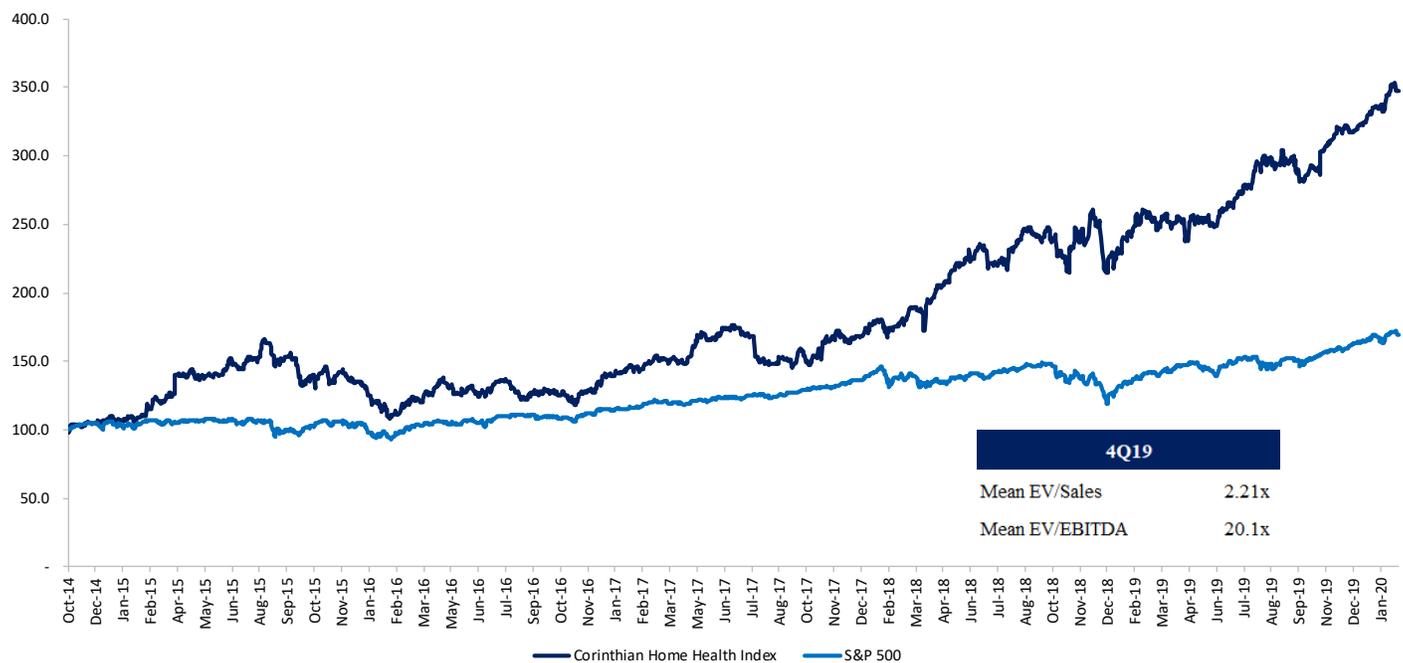
Source: [Link](#)

- December 17, 2019: LHC Group Looked to Double Its Hospice Footprint Within 12-18 Months**

Hospice and home health care provider LHC Group plan to expand its hospice operations to twice the number of locations it currently operates within 12 to 18 months, primarily through acquisitions. The company’s strategy has been to acquire hospices through its extensive joint venture partnerships to build hospice density in markets in which it already has a home health presence.

Source: [Link](#)

Corinthian Home Health Index Stocks vs. S&P 500



Note: Corinthian Home Health Index is comprised of 8 stocks of publicly traded companies that provide home health and hospice services. The companies included in the index include Genesis Healthcare, Inc., LHC Group, Inc., Amedisys, Inc., National Healthcare Corporation, Chemed Corporation, and Addus Homecare Corporation. The index includes Almost Family Inc. till April 1, 2018 after which the company was acquired by LHC Group and Kindred Healthcar, Inc. till July 1, 2018 after which it was completely acquired by Humana, Inc. and ceased to trade publicly.

Source: FactSet; Corinthian Analysis

Private Transaction Comps Summary

Year	Mean EV/Sales	Mean EV/EBITDA	Mean EBITDA (\$ mm)	Median EBITDA (\$ mm)
2020 YTD	3.70x	NA	NA	NA
2019	2.36x	9.3x	11.1	11.1
2018	0.57x	12.3x	26.9	26.9
2017	0.91x	12.8x	237.6	237.6
2016	0.94x	7.3x	11.1	9.0
2015	0.96x	8.9x	14.4	9.6
2012- Present	1.01x	8.5x	39.0	13.4

Note: Mean calculated on multiples ranging EV/Sales 0.0x – 5.0x, EV/EBITDA: 0.0x – 30.0x

Source: FactSet

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