



# DealReader Home Health & Community-Based Services

Q2 2018

## Lincoln's Home & Community Focus

- Since 2015, Lincoln International's Healthcare Group has completed 10 home & community and elder services M&A and financing transactions
- The Group remains engaged on several home & community based assignments, including in the U.S., Europe and the Far East

## Inside this Issue

### The Newsletter on Home Health & Community-Based Healthcare Services

**"We shape our dwellings, and afterwards our dwellings shape us."**

*- Winston Churchill*




# The Newsletter on Home Health & Community-Based Service Segments

## Lincoln International's Longstanding Advisory Activities in HCBS

Over time, the Healthcare Group professionals of the Lincoln Healthcare Practice have completed over 50 transactions with companies operating in various home health and community-based services (HCBS)

segments as well as in home infusion, home medical supplies and home medical equipment markets. The following tombstones provide examples of this highly focused, leading practice of Lincoln:

### A Sampling of Lincoln's HCBS and Other Home-Based Deals

Pediatric HCBS	Geriatric HCBS	Home IV / HMS
 <p>has been sold to</p>  <p>a portfolio company of</p>   	 <p>have sold</p>  <p>to</p>  	 <p>has been sold to</p>  
 <p>have sold</p>  <p>and its Pediatric Division to</p>  <p>a portfolio company of</p>  	 <p>has sold</p>  <p>to</p>  	 <p>has been sold to</p>  
 <p>has sold</p>  <p>to</p>  <p>a portfolio company of</p>  	 <p>has sold</p>  <p>to</p>  	 <p>has sold</p>  <p>to</p>  <p>a portfolio company of</p>  

HMS = home medical supplies

### Scope of This DealReader

This Healthcare DealReader is primarily focused on the skilled and unskilled nursing, attendant and personal care aspects of the broader HCBS industry. The following provides a definition of what is included under HCBS, the subject of this DealReader:

HCBS – Home and Community Based Services

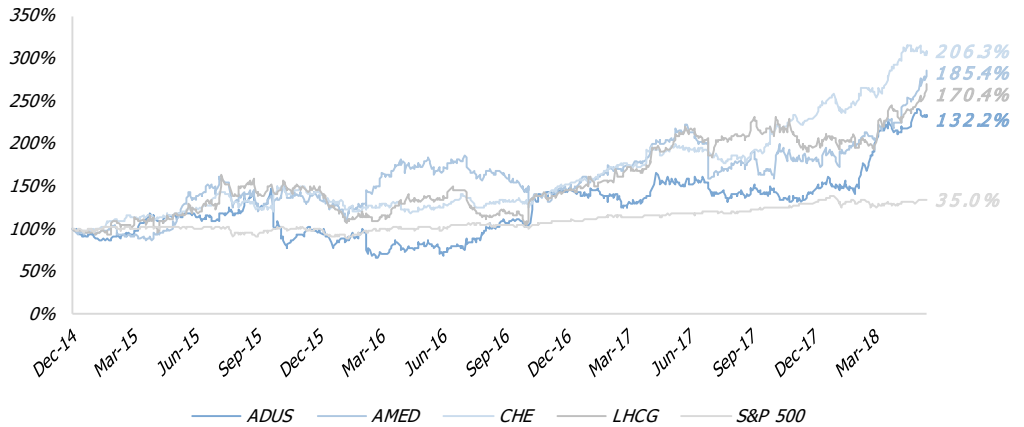
- Adult Day Health (ADHS)
- Home Care (HC)
- Home Health Nursing (HH)

- Home-based Therapy
- Hospice and Palliative Care
- Pediatric Home Health
- Physician Housecall
- Prescribed Pediatric Extended Care or PPEC

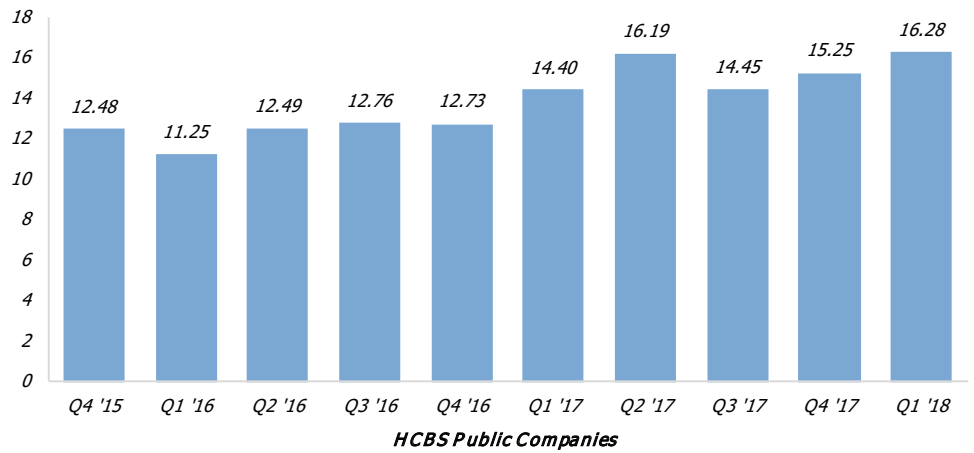
HCBS does not include: home-based autism, home-based ID/DD, home infusion, home care products and home medical supplies services providers, which may be the subject of other Lincoln International DealReaders

## HCBS – Public and M&A Market Statistics

### Last 11 Quarters Relative Stock Price Performance



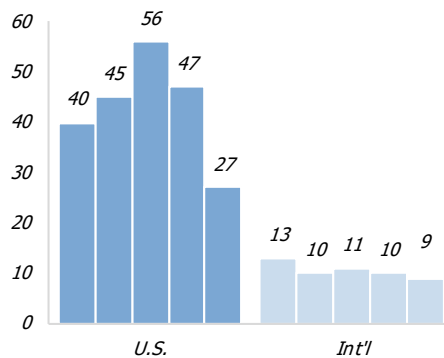
### Public Median EBITDA Multiples



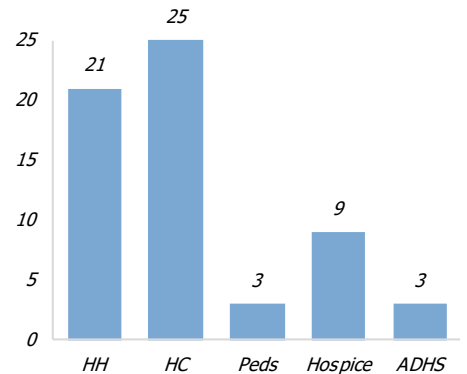
Note: May exclude outlier multiples

### Total Number of M&A Transactions

#### Domestic and International



#### Platform HCBS Deals over the Past 12 Months



Sources for above graphs: Capital IQ, Lincoln International Healthcare Group (through June 2018)

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## Selected U.S. Reimbursement & Regulatory Updates in a Nutshell

**Medicare Advantage (MA).** Based on Berkeley Research Group's (BRG) July 3, 2018 report, CMS recently clarified that Medicare Advantage plans will be allowed to cover more services than in the past, including non-skilled **home and community-based care** and transportation. These services are not covered by traditional Medicare, but are typically important aspects for care of elderly and vulnerable beneficiaries. These supplemental benefits should make MA plans even more attractive to beneficiaries and drive improved care. More than 21 million Medicare beneficiaries are covered by private plans, most through MA, representing 38% of eligible Medicare (up from about 15% in 2008). Several states are near or over 50%, including California, Florida, Hawaii, Minnesota, and Oregon.

**Medicare Home Health.** Inevitably, further changes are coming for Medicare PPS. Based on Farragut Square Group's July 2, 2018 and BRG's July 9, 2018 reports, CMS issued the following proposed rule:

- 2.1% increase in Medicare home health rates for CY 2019 (quite a nice increase);
- January 1, 2020 implementation of a Patient-Driven Groupings Model or PDGM (previously introduced as a Home Health Groupings Model or HHGM), with the change in the unit of payment 60-day episodes of care to 30-day episodes of care at its core. According to BRG, PDGM is designed to compensate more for patients with more complex medical conditions (e.g., woundcare) and those referred from institutional settings vs. community-based, less complex patients
- Initiative to define remote patient monitoring in regulation for the Medicare home health benefit and to include the cost of remote patient monitoring as an allowable cost on the HHA cost report; and
- Among other items discussed in the CMS proposal: changes to the Home Health Value-Based Purchasing program; changes to Home Health Quality reporting measures

## U.S. Market Observations by Segment

Home and community-based healthcare transactional activity remains as strong as ever, and we expect a sixth year of strong M&A trends in this broader sector. Having completed over 50 transactions in home health, community-based and closely related segments, our Healthcare Practice remains a barometer for activity in this space – our pipeline of HCBS transactions remains deep. We note continued, payer-provider convergence transactions occurring in this market and we also see ongoing diversification across different service and payer modalities.

- **Pediatric home & community.** In our previously discussed “new era” of pediatric home health, acquisition activity by its leaders – Aveanna Healthcare and Thrive Skilled Pediatric Care – as well as newly private equity backed platforms, such as Tenex Capital's Team Select Home Care, continues to be at robust levels. Aveanna just completed the bellwether purchase of Lincoln International-advised Premier Healthcare Services, a leading pediatric home health leader on the West Coast. Thrive Skilled has continued its acquisition pace in pediatric home nursing providers,

but also recently purchased a pediatric home care products provider platform.

- **Medicare home health.** Not just smaller acquisitions continue to be made, but we are now also seeing the consolidation of larger players into mega-home health providers. In addition, we are experiencing provider-payer convergence and continuum-of-post acute care plays. Obviously, the Almost Family-LHC merger and TPG/Welsh Carson/Humana's collaborative purchase of Kindred speak volumes about the mega-consolidation plays and the growing focus by all constituencies, including payers, on the need for improved post-acute home health care management, with the goals of improving patient outcomes and reducing hospital re-admissions and overall healthcare costs. Other notable deals are those being done by SV Health's Jet Health, Fulcrum Equity's Five Points and ongoing acquisitions by HealthSouth's Encompass Home Health (including in the hospice arena), among many others.

- **Hospice.** Private equity remains interested in hospice themes and trends. No shortage of new platform investments and add-on acquisitions. Recent, noteworthy platform deals include Tailwind Capital's acquisition of Abode Healthcare from Frazier Healthcare, Vistria Group's acquisition of Midwest leader St. Croix Hospice from Clearview Capital, and TPG Capital/Welsh Carson purchase of Curo Health Services with Humana as a strategic partner. Smaller PE-backed platforms (e.g., Dorilton Capital's Traditions Health) are also active in add-on acquisitions. Finally, it should be noted that Anthem also recently purchased Aspire Health, a palliative (though non-hospice) care management provider.
- **Diversified home health-home care.** No diversifying transaction was more dramatic to us than the merger by Kelso & Co and Blue Wolf Capital of Jordan Health Services, National Home Health and Great Lakes Caring under a dual-PE ownership, creating a powerhouse provider that offers Medicare home health, Medicaid home care, private pay home care, pediatric home health and hospice. Similarly, Accent Care's purchase of Sta-Home Health & Hospice, continues an ongoing diversification of Accent Care in terms of service offering, payer mix and geography. Other diversifying transactions are being done by Highland Capital's Cornerstone Healthcare into hospice and home health.
- **Medicaid, Consumer Self-Directed Home Care and Personal Home Care.** With growth in the Medicaid programs (particularly with the ongoing shift of care to home and community based settings, where the Medicaid dollars are now larger than payments for SNF care), Medicaid home and community based investments, including in self-directed, family caretaker models, abound. We highlight recent deals by NewSpring Capital investing in SeniorLink, a technology-enabled care solutions and management provider centered around case managers and family-based caregivers, and Boyne Capital's purchase of AmeriBest Home Care, a HCBS waiver-focused provider of home care and home health services. Remaining active in Medicaid and other home care acquisitions are Simplura Home (fka All Metro Healthcare), Addus Healthcare (including diversifying deals into skilled home health) and many others.
- **Adult Day Health Services.** Still running below the radar, but showing upward trends in deal activity, is the ADHS segment. Notably, Active Day has become more acquisitive again after a brief pause following its purchase by Audax Group. In addition, Simplura Home recently acquired one of the SarahCare business doing both home care and ADHS. Civitas and HIG Growth's Just Home Healthcare also remain active in ADHS acquisitions.
- **International HCBS.** As demonstrated by the statistics on page 3, we are seeing solid platform HCBS M&A activity in many countries across the world, particularly in the United Kingdom, France and Germany, but also increasingly in India and other Asian countries. Lincoln International is active with a number of HCBS and related transactions in global markets. The following two pages include a feature on M&A dynamics in HCBS in the United Kingdom.

## Special Feature: Home & Community-Based Services in the United Kingdom

### Home Health (Private and State)

The UK's Home Health segment has seen increasingly robust activity although recent transactions have been characterized by smaller scale transactions. As in the U.S., we view the market as supported by numerous positive macro drivers (ageing population, service user preference and commissioner support for care being provided at homes, growing wealth amongst the elderly). However, the health of the market is bifurcated between private pay and state funded sectors. In the private pay space, the UK's leading players are Home Instead, Bluebird Care, Helping Hands and Good Care Group, with the market experiencing strong growth driven by both growth in hours and fee rate increases. Some of the volume growth is being driven by funding and eligibility restrictions being applied in the state funded sector. In February 2018, Livingbridge EP completed a minority investment in Helping Hands at a rumored double-digit EBITDA multiple, reflecting this growth opportunity. In contrast to the private pay sector, the state funded Local Authority market is seeing more activity centered around providers struggling to deal with the twin impact of funding pressures (low fee rate inflation) and the UK's National Living Wage introduction driving up care costs and squeezing margins.

Larger, "best in class" operators are still able to prosper, such as City & County Healthcare Group, which recently acquired struggling Ark Home Healthcare from Core Capital Partners. The listed Mears Group announced a strategic review during 2017 to ensure the long-term success of its Home Healthcare division in the face of these pressures. The loss making MiHomecare business of Mitie Group was taken over by Apposite Capital in March 2017. Apposite was attracted by the long-term potential of the sector and the ability to support MiHomecare restructure while the market re-adjusted to the funding and cost environment which the PLC listed owners had less appetite to support. Despite the poor health of MiHomecare, we understand this business is now in a stronger position, and we believe its long-term prospects look strong as Local Authority commissioners increasingly recognize the need to adequately fund home care to avoid elderly patients simply ending up in costly institutional settings. Looking forward, we expect the private pay home care market to grow strongly while on the state funded side we anticipate City & County to come to market in 2019 now that the Local Authority sector looks to have turned a corner in terms of funding.

### Clinical and Complex Home Health

We continue to see significant activity for this segment in the UK since January 2017, with robust valuation multiples evidenced across a number of small, medium and large transactions. A recent transaction includes the sale of Baywater Healthcare UK, a provider of home delivered oxygen-therapy, sleep apnea therapy and non-invasive ventilation therapy services, in early 2018 by Souter Investments and Duke Street to French home medical equipment provider Bastide Group. This follows the sale of Baywater's Irish operations to Air Liquide in August 2015. Both were stated to have realized a 'substantial exit' at a total cash

return of five-times-plus with an additional potential to yield further returns from an earnout. In February 2018, August Equity sold the live-in, live-out market leader Active Assistance, a provider of care in domiciliary and residential settings for people with a range of complex neurological conditions including acquired brain injury and spinal cord injury, to Montreux Capital Management. Given heightened valuations, we expect transaction activity for the sector to continue with a number of UK providers in the clinical and complex home health space coming to market within the next 6 months.

**Public Median EBITDA Multiples**



**Sample U.K. Home Care and Home Health Deals**

Date Announced	Target	Acquirer	Description of target
Mar-18	Helping Hands	Livingbridge	UK nationwide provider of private home care services, including live-in care, visiting care, dementia care, nursing care, respite care and emergency home care
Feb-18	Ark Home Healthcare	City & County Healthcare (the majority) MiHomecare (the complex care business) and Westminster Homecare (the remainder)	Provider of domiciliary healthcare services including live-in care, dementia care, rapid response, palliative care and respite care
Jul-17	Constance Care	City & County Healthcare Group	Domiciliary healthcare provider primarily located in Scotland
Apr-17	Prestige Nursing+Care	Sodexo	Private nursing care and support care agency, with a network of over 40 branches and a team of 3,000 registered nurses and care workers
Jul-16	The Good Care Group	BGF	Provider of home care services for people with medical conditions such as dementia, Parkinson's MS and Motor Neurone disease
May-16	Acorn Care	NFA	Provider of fostering services, residential homes, schools, multi-disciplinary and integrated sites / academies for children and young people with complex needs
Apr-16	Prime Care Holdings Ltd	Apex Companions Ltd	Provider of domiciliary care to the elderly, focused on the south coast of England
Apr-16	Routes Healthcare	Key Capital Partners	Provider of high acuity domiciliary care, primarily focused on the North of England
Feb-16	ICCM	City and County	Specialist provider of complex domiciliary care for adults and children with disabilities. The firm specialises in the fields of spinal cord injury, domiciliary ventilation, acquired brain injury and other neurological disorders
Feb-16	Bupa Home Healthcare	Celesio	Provider of domiciliary care for over 35,000 patients working in partnership with the NHS, pharmaceutical industry and private medical insurers to support patients with a range of conditions
Dec-15	Allied Healthcare	Aurelius Group	Provider of domiciliary care, with over 80 branches in the UK and 8,000 employees
May-15	Care UK	Mears Group	Domiciliary health and social care provider
Jan-15	Nurseplus	Sovereign Capital	Provider of agency care workers and nurses to nursing homes, residential care homes and private hospitals

Note: \*denotes a multiple using EBITDAR

# Select M&A Activity in HCBS

## Sampling of Deals – Last Several Months

Announced Date	Target	Acquirer	HH	HC	Peds	Hospice	ADHS
5/24/2018	Clinidom	Korian (ENXTPA:KORI)	X				
5/10/2018	Premier Healthcare Services, LLC	Aveanna Healthcare			X		
5/1/2018	Abode Healthcare, Inc.	Tailwind Capital Group, LLC				X	
4/23/2018	Curo Health Services, LLC	TPG Capital, L.P.; Welsh, Carson, Anderson & Stowe; Humana Inc. (NYSE:HUM)				X	
4/10/2018	Jordan Health Services / NHHHC / Great Lakes	Kelso & Company; Blue Wolf Capital Partners LLC	X				
4/2/2018	Acadia Home Care Inc.	Addus HomeCare Corporation (NasdaqGS:ADUS)		X			
3/15/2018	Camellia Healthcare	Encompass Health Corporation (NYSE:EHC)	X				
2/28/2018	Ambercare Corporation, Inc.	Addus HealthCare Inc.	X				
2/5/2018	MD2U Management, LLC	Almost Family	X				
1/31/2018	Ready Hands, Inc.	Care Advantage, Inc.		X			
1/10/2018	Millenium Home Health Care, Inc.	Five Points Healthcare, LLC	X				
12/19/2017	Kindred Healthcare, Inc.	Humana Inc. (NYSE:HUM); TPG Capital, L.P.; Welsh, Carson, Anderson & Stowe	X				
11/16/2017	Almost Family, Inc.	LHC Group, Inc. (NasdaqGS:LHCG)	X				
11/14/2017	Caring People Inc.	Silver Oak Services Partners, LLC		X			
11/13/2017	The Pediatric Connection, Inc	Thrive Skilled Pediatric Care, LLC			X		
10/16/2017	Alpine Plus Home Health	Jet Health, Inc.	X				
9/11/2017	St. Croix Hospice, LLC	The Vistria Group, LLC				X	
6/5/2017	Care Hospice, Inc.	CHSO Management, LLC				X	
4/6/2017	Sta-Home Health & Hospice, Inc.	AccentCare, Inc.	X				
4/4/2017	Kissito PACE of Roanoke, Inc.	InnovAge Home Care					X
3/1/2017	Tenet Healthcare, Six Home Health & Hospice Agencies	Amedisys, Inc. (NasdaqGS:AMED)	X				
3/1/2017	Enara Group Limited/Complete Care Holdings Limited (United Kingdom)	Apposite Capital LLP		X			
1/10/2017	Home Health Investments, LLC	Jet Health, Inc.	X				
1/4/2017	Care Advantage, Inc.	BelHealth Investment Partners, LLC	X				
12/19/2016	Epic Health Services, Inc.	Bain Capital Private Equity, LP			X		
12/19/2016	Personal-Touch Home Care, Inc.	Anova Health Care System, Inc.		X			
12/13/2016	Multicultural Homecare Inc.	All Metro Aids Inc.		X			
11/29/2016	Great Lakes Caring	Blue Wolf Capital Partners LLC				X	
11/14/2016	Medigroba GmbH (Germany)	SHS Capital mbH	X				
11/7/2016	Innovations Health Services & Assure Home Healthcare	Pediatric Services of America, Inc.			X		
11/2/2016	Secura Home Health, LLC	Care Finders Total Care LLC		X			
10/13/2016	Senior Helpers	Altaris Capital Partners, LLC		X			
7/19/2016	New Century, Inc.	Curo Health Services, LLC				X	
7/12/2016	Southeastern Home Health Services	Geneva Glen Capital, LLC	X				
7/2/2016	CNS Home Health Care, Inc.	Recover Health, Inc.		X			
5/10/2016	Genesis Health Home and Hospice	Hospice Compassus				X	
2/11/2016	Associated Home Care Inc.	Amedisys Inc. (NasdaqGS:AMED)		X			
2/10/2016	All Metro Aids Inc.	One Equity Partners LLC		X			
2/8/2016	Care Unlimited Inc.	Pediatric Services of America, Inc.			X		
2/4/2016	H.H. Franchising Systems, Inc.	Linsalata Capital Partners		X			
1/28/2016	National Home Health Care Corp.	Blue Wolf Capital Partners LLC		X			
12/9/2015	Senior Care / Active Day	Audax Group					X
12/1/2015	Family Hospice, LLC	New Century Hospice, Inc.				X	
11/4/2015	Black Stone of Cincinnati, LLC	Almost Family Inc.	X				
11/3/2015	Infinity HomeCare, LLC	Amedisys Inc.	X				
10/28/2015	Nurses' Registry and Home Health	LHC Group, Inc.	X				
10/7/2015	Hospice Advantage, Inc.	Hospice Compassus, Inc.				X	
9/30/2015	HomeFirst Healthcare Services, LLC	Epic Health Services, Inc.			X		
9/3/2015	Halcyon Hospice	LHC Group, Inc.				X	
8/31/2015	Willcare	Almost Family	X				

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