Cover Story

The Care At Home Market Shake-Up

Seven ways new players are consolidating the market and changing the dynamics of traditional care at home models.

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Payers, health systems, Private Equity firms, and SPAC'S acquisition of care at home companies are quickly changing market dynamics, and signaling change is ahead. The shift is happening rapidly. What does this mean to the care at home industry? Are traditional models being squeezed out? You can decide as we discuss the new players, the change in the mergers and acquisition market, and the consolidation of the industry.

1. Payers Expand Care at Home Models To Support Medicare Advantage

The market "turn" started back in 2018 when Humana and private equity company TPG Capital, and Welsh, Carson, Anderson & Stowe (WC) inked a $4.1 billion deal to buy Kindred Healthcare.

The deal separated long-term acute care hospitals, inpatient rehabilitation facilities, and contract rehabilitation services businesses from Kindred's home health, hospice, and community care businesses known today as Kindred at Home. Humana's partial purchase of Kindred at Home fits in with the payer's expanding Medicare Advantage (MA) footprint.

To complement its growing Medicare Advantage business, Humana and private equity firms TPG Capital and Welsh, Carson, Anderson & Stowe completed their $1.4 billion acquisition of CURO. "The Consortium intends to combine Curo with the hospice business of Kindred at Home to create the country's largest hospice operator," Humana and the private equity firms said in a joint statement.

In a recent move this past March, payer Anthem entered into an agreement to acquire myNEXUS, Inc. ("myNEXUS"), a comprehensive home-based nursing management company for payors. myNEXUS delivers integrated clinical support services for approximately 1.7 million Medicare Advantage members across 20 states.

This transaction aligns with Anthem's strategy to manage integrated, whole-person multi-site care and support, by providing national, large-scale expertise to manage nursing services in the home and facilitate transitions of care. The myNEXUS solution and network will enhance Anthem's continued expansion to deliver care for members in a coordinated manner, leveraging both high-touch support and technology-driven capabilities.

These two examples are strong market indicators signifying payer investments in the future of care at home services.

DON'T MISS ADDITIONAL EASY-TO-ACCESS LINKS IN THIS ARTICLE AND OTHER RESOURCES TO LEARN MORE

1. Acute Hospital Care at Home program
2. COVID-19 Case Study: Intermountain Healthcare's Hospital-Level Care In Patients' Homes
3. How is Your Organization Prepared to Participate in New Non-Traditional Care-at-Home Models?

2. Health Systems Position For Care Continuum Strategies

Advocate Aurora Health

The U.S. Census Bureau projects that 20% of the population – one out of every five people – will be older than 65 by 2030.

This past April, Advocate Aurora Enterprises, a subsidiary of Advocate Aurora Health, bought Senior Helpers, a company that provides personal care workers through a network of franchises in the United States as well as Canada and Australia. The purchase price was not disclosed.

Senior Helpers has more than 320 locations, including Milwaukee, Appleton, and Madison, and revenue of about $300 million a year.

"Senior Helpers furthers our transformation into a destination health company that goes beyond sick care to provide wellness offerings," Jim Skogsbergh, president and CEO of Advocate Aurora, said in a statement. "The ultimate goal here is to give people more healthy days within the comfort of their homes doing the activities they enjoy. This aligns with our purpose of helping people live well."

Advocate Aurora Enterprises – the recently-created subsidiary of Midwest-based, not-for-profit Advocate Aurora Health system – aims to invest in businesses that enable people to upgrade their health outside medical facilities. Areas of primary focus are independent aging, parenthood and personal performance.

In another move, Nashville-based HCA Healthcare has agreed to buy a majority stake in Brookdale Health Care Services (BHS), the unit of the Brentwood-based senior living company that serves home health, hospice, and outpatient therapy needs, for a reported $400 million. Brookdale will retain a 20% stake in the unit.

HCA Healthcare℠

"HCA Healthcare's objective is to be the healthcare system of choice in the communities we serve," said CEO Sam Hazen in a statement. "This opportunity to partner with Brookdale will expand the services we offer and enhance our ability to deliver a better experience for our patients, as well as for Brookdale residents."

BHS operates 57 home health agencies and 22 hospice agencies across 26 states, along with 84 outpatient therapy locations with 98 percent of its agencies earning 4 stars or better Quality Star Rating from Centers for Medicare and Medicaid Services in December 2020. Services are provided for those residing in Brookdale communities, as well as in their own homes. The deal is anticipated to close mid-year.

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3. Care at Home Provider Expands Geographic Footprint To Expand Statewide

San Diego-based Mission Healthcare, one of California’s largest home health, hospice, and palliative care providers, acquired Loma Linda University Medical Center Home Health. With this acquisition, Mission will now support current employees, patients, and clinical rotations within the Loma Linda University School of Nursing.

Loma Linda University Medical Center is part of Loma Linda University Health which treats more than 1.8 million patients through its outpatient services and over 53,000 patients through its inpatient services every year. Mission Health Care has been a partner with Loma Linda University Health for a number of years and will have the opportunity to support the skilled home health needs of patients through a number of local offices throughout Southern California.

“I am delighted to partner with Loma Linda University Health as we continue to provide best-in-class care to support patient needs,” said Mission Healthcare CEO Paul VerHoeve. “We believe our combined resources will make an impactful patient experience and benefit the community by delivering care to a broader population.”

Mission Healthcare provides comprehensive skilled home, hospice, and palliative care services partnering with hospital systems, nursing homes, physicians, assisted living, and payors with the focus on providing the best patient care in the most cost-effective manner. They currently serve more than 2,200 patients daily with over 700 mission-focused team members.

“Going forward, we will continue to develop strategic partnerships with like-minded organizations who share our values around patient care and employee satisfaction,” VerHoeve adds. This acquisition follows Mission’s most recent acquisitions in Northern California and expansion of hospice care to Orange County.

Moving their footprint further up into Northern California, Mission Healthcare acquired Alliance Home Health & Hospice Care, a Medicare-certified home health and hospice organization in Pleasanton, Calif. marking the first acquisition by Mission Healthcare outside Southern California.

Alliance Home Health currently provides a full array of home health and hospice care services. Now, as a part of Mission Healthcare, new and existing patients will have access to Mission’s cohesive model of home health, hospice, and palliative care and benefit from the company’s investments in industry-leading technology. Mission’s expertise in community-based care will allow for seamless transitions through the care

This acquisition marks the start of a strategy for Mission to bolster its services into new markets. With Alliance Home Health Care now under its umbrella, Mission Healthcare will continue to pursue additional opportunities to acquire home health, hospice, and palliative care partners beyond Northern California.

4. Private Equity Firms Buying Care At Home Companies

H.H. Franchising Systems Inc. ("H.H. Franchising"), a Cincinnati-based company that operates Home Helpers® Care, announced in April it has been acquired by RiverGlade Capital ("RiverGlade"), a Chicago-based growth-oriented private equity firm that invests solely in healthcare companies.

Previously owned by private equity firm Linsalata Capital Partners, H.H. Franchising will maintain its current leadership team, national support team, and franchise system as part of the transaction. The company will also continue operations at its Cincinnati headquarters.

Home Helpers Home Care CEO and President Emma Dickison said its new partnership with RiverGlade will accelerate growth for the nationwide in-home care leader. Home Helpers Home Care operates in more than 1,000 communities across the United States. The company has more than 320 franchise territories operating in 41 states and growing.

RiverGlade Capital is a healthcare services-focused private equity firm that invests in high-quality, differentiated businesses. RiverGlade partners with companies that have demonstrated strong organic growth and where value can be accelerated through operational improvements, strategic planning, and dynamic organic and inorganic growth initiatives.

5. Private Equity Start-Ups

Adam Boehler, former Director of the Centers for Medicare & Medicaid Innovation (CMMI) and founder of Landmark Health, recently announced he has teamed up with two private investment equity partners Welsh, Carson, Anderson & Stowe and Oak HC/FT Partners to form Rubicon.

Investment areas the new firm will consider include senior living, genomics, and "the intersection of payers and providers" in health care, he said.

6. SPACs Support Healthcare Start-Ups

Special Purpose Acquisition Companies (SPACs) known as "blank-check" companies are shell companies that allow a private company to become publicly traded without going through the traditional IPO process. In the last two years, SPACs have picked up momentum: last year, roughly 240 SPACs went public, raising about $80 billion in total funding, nearly as much as all of last year's IPOs combined, according to Renaissance Capital.

As MedCity reports, SPACs also have more regulatory lenience than traditional IPOs in some aspects. For instance, they have a lower liability risk for mistakes or omissions made to investors in IPO disclosures. SPACs also give companies more flexibility to share future earnings projections, which can make a deal more attractive – especially with pre-revenue companies. Healthcare startups that have experienced rapid growth due to the coronavirus pandemic might take advantage of a SPAC to capitalize on that growth because it is quicker and cheaper upfront than the traditional IPO route.

According to the New York Stock Exchange (NYSE), in 2020 there were 50 SPACs going public with Healthcare being their target sector. The median proceeds for these SPACs were $130M.

This year, we've already seen some big SPAC deals in the healthcare space:

SPACs Support Healthcare Start-Ups (con't)

- **Clover Health,** a Medicare Advantage plan provider, was the first VC-backed company to go public via a SPAC with **Social Capital Hedosophia III,** a partnership between the investment firms of Social Capital and Hedosophia. The company's stock has trended negatively since the merger was completed in early January; it was targeted by short-seller **Hindenburg Research,** which called Clover "a broken company" and announced that there was an active, undisclosed Department of Justice Investigation.
- On January 19, 2021, **Oaktree Acquisition Corp** shareholders approved taking **Hims** public, valuing the three-year-old direct-to-consumer wellness company at $1.6 billion. As a result of the business combination, Hims & Hers received proceeds of approximately $279.5 million prior to transaction expenses, which includes cash proceeds of approximately $204.5 million from Oaktree Acquisition Corp.'s trust account and $75 million from private placement investors.
- In February, digital health company **Sharecare** announced its plans to join the public markets through a merger with Falcon Capital Acquisition Corp., a SPAC backed by investment banker Alan Mnuchin. The combined company is expected to be valued at $3.9 billion with approximately $400 million in growth capital on the balance sheet.
- As the year proceeds, there are even more healthcare-focused SPACs to track. **Health Assurance Acquisition Corp** (HAAC) aims to merge with a "health assurance" company. The SPAC's CEO, Hemant Taneja, is pioneering the concept, defining health assurance as "an emerging category of consumer-centric, data-driven healthcare services that are designed to bend the cost curve of care and help us stay well." After its IPO worth $500 million in November of 2020, HAAC's market cap has grown to around $600 million (at the time of publishing).
- **FS Development Corp II** is the second SPAC launched by Foresite Capital CEO and investor, Jim Tananbaum. Based on Tanabaum's first SPAC deal with **Gemini Therapeutics** in October 2020 and Foresite Capital's portfolio of investments, investors believe that this new SPAC will be targeting a biotech or a life sciences information technology company. Right now, FS Development Corp's market cap is around $250 million, which is significantly higher than its IPO of $175 million (at the time of publishing).

2021 will be the year of healthcare SPACs according to CB Insights senior intelligence Marissa Schlueter. With roughly 70 SPACs actively searching for target companies across the healthcare and life sciences industries according to SPAC Track, the industry could see more startups choosing to go public via this exit pathway throughout 2021. Schlueter argues that based on year-to-date activity, healthcare IPOs could be up 10% in 2021, M&A activity could rise by 35%, and reverse mergers, which include SPAC deals, could jump 47% this year.

7. Building Integrated Chronic Care Continuum of Care Services

In 2019, BrightSpring was acquired by global investment firm KKR, with Walgreens Boots Alliance Inc. (Nasdaq: WBA) a minority owner. As part of the deal, the company merged with pharmacy giant PharMerica. KKR's acquisition of BrightSpring was valued at $1.32 billion. BrightSpring merged with PharMerica Corporation (PharMerica) to become a leading provider of home and community-based health and pharmacy services for high-need and medically complex populations.

BrightSpring Health Services ("BrightSpring") is a leading provider of complementary pharmacy and home and community-based services. In March 2020, BrightSpring acquired Advanced Home Care's ("AHC") home health and specialty infusion businesses. AHC is a leading and well-respected home health and infusion pharmacy company, having served Georgia, North Carolina, South Carolina, Tennessee, and Virginia for almost 30 years.

AHC's home health team will join BrightSpring's Adoration Home Health and Hospice business and will operate as Advanced Home Health. The infusion and specialty pharmacy teams will join PharMerica's Amerita division and will operate under the name Advanced Home Infusion.

The addition of AHC, a leader in the development of innovative disease management programs and hospital partnerships, continues the expansion of BrightSpring's home health and infusion lines of business. The addition of 10 Advanced Home Health locations in North Carolina, complements the non-medical home care services already provided by the company. Advanced Home Infusion expands the company's infusion pharmacy business into the Southeast region.

"The majority of BrightSpring's and PharMerica's clients and patients require multiple, integrated health services," said Jon Rousseau, BrightSpring President and CEO. "The addition of AHC is consistent with our quality and growth strategies to enhance our home health and pharmacy platform through a unique set of complementary offerings. Our companies share similar missions of providing high-quality, compassionate care, and together we have an opportunity to build on each other's unique strengths, providing greater benefits to clients and patients, as well as community and payor stakeholders."

In March of this year, BrightSpring purchased Adobe Healthcare from Summit Partners with a reported valuation of $775 million. Acquiring Abode is a part of BrightSpring's overall strategy to build out complementary services and expand integrated care for complex and in-person patient populations with chronic comorbidities.

MOMENTUM GROWS

Supporting the push to expand home-based services is the recently formed coalition called Moving Health Home (MHH). Its founding members are Intermountain Healthcare, Ascension, Landmark Health, Amazon Care, Signify Health, Dispatch Health, and Elara Caring. The coalition wants to change state and federal policy to enable the home to be a point of clinical service.

MHH also plans to advocate for:

- Expanding services covered in a home-based setting.
- Retaining "Hospitals Without Walls" site-of-care flexibility to support home-based hospital services.
- Bundled payment models for extended care in the home.
- Encouraging greater flexibility for home-based services to meet commercial and Medicare Advantage network standards.

The coalition wants to push for Medicare to cover high-acuity home-based services when it's an evidence-based practice used in a private sector model. That could include EMTs providing triage services in the home and offering a telehealth visit, instead of taking a patient to the emergency department, when clinically appropriate. The coalition also wants home-based evaluation and monitoring services to be reimbursed at the same rate as the 2022 Medicare Physician Fee Schedule for what primary care office visits are paid. They're pushing to eliminate the budget neutrality requirement, which would require any increases to come at the cost of cuts to other providers. And the providers want home-based care providers to meet Medicare Advantage and commercial network adequacy standards.

To take pressure off hospitals during the surging pandemic, the Centers for Medicare & Medicaid Services (CMS) last November took several steps to increase the capacity of healthcare systems to provide care outside a traditional hospital setting, including in the home. Its Acute Hospital Care at Home program is an expansion of the CMS Hospital Without Walls initiative launched earlier last year as a part of a comprehensive effort to increase hospital capacity and maximize resources while keeping Americans safe. Now, this updated program creates additional flexibility that allows for certain healthcare services to be provided outside of a traditional hospital setting and within a patient's home. In late January, according to a CMS web page on the initiative, the program has grown to include 92 hospitals in 24 states.

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Future Insights

How is Your Organization Rethinking Strategic Positioning to Offer Continuum-of-Care Services from Pre- And Post-Discharge to End-of-Life?

The future direction is care across the continuum. Engaging in value-based delivery in primary care, hospital, post-acute, home, and mental and behavioral health affords a deeper look at needs across the care continuum. For care at home providers, the goal is to create a post-acute continuum model as patients transition from one care setting to another whether that be in-home personal care services, skilled home health, palliative care, or hospice.

SEVERAL MARKET INDICATORS ARE PUSHING THE BOUNDARIES AWAY FROM THE SOLO PROVIDER

- Hospital mergers and acquisitions are moving local markets to regional and statewide.
- Telehealth advancements are erasing boundaries of where care can be delivered.
- There's a greater need for seamless care from cradle to end-of-life.

The question for leadership is how do you want to position your organization? As an integrator? Or, as an aggregator?

An integrator puts partnerships front and center. The organization realizes that not all capabilities and services are best owned and operated by their organization. They are interested in bringing together an ecosystem of services to bring together solutions and outcomes that respond effectively to a rapidly evolving healthcare market.

An aggregator allows organizations to leverage their existing processes, people, technology, and information to stay ahead of the competition. In other words, the growth will be organic. Is time on your side as an aggregator?

The future for care at home providers will be continual mergers and acquisitions and partnerships with organizations that provide care in the home. Many organizations are firming up their market position to include attention to continuous service lines to include home health, palliative care, in-home care, and hospice.

Examples of integrators diversifying service lines and geographic footprint:

Baptist Health and BAYADA

Baptist Health, the largest health care provider in greater Jacksonville, has a joint venture with BAYADA Home Health Care to expand upon the services to help people with multiple chronic conditions as well as patients recovering from an illness, injury, or recent hospitalization.

LHC Group

Strategic positioning is offering diversified service lines – home health, hospice, home and community-based services, and facility-based care in 35 states and the District of Columbia.

Amedisys and BrightStar

Amedisys combines home health and hospice with BrightStar Care to facilitate the coordination of care between Amedisys' hospice and home health care centers.

AccentCare and Seasons Hospice and Palliative Care

AccentCare and Seasons Hospice & Palliative Care (Seasons) agreed to combine their organizations. AccentCare's expertise in home health, personal care services (PCS), and hospice is complemented by Seasons' leadership within the hospice and palliative care spaces. These strengths, along with an expanded geographic footprint, will enable the new combined organization to expand offerings in current and additional markets.

Strategic market positioning in 2021 will be critical. Market signals indicate it will get harder to remain as a "solo" provider. Companies like Amedisys, AccentCare, and LHC Group are diversifying service lines and expanding their geographic footprint. Responding to new market transformation, these companies are developing multi-service lines to deliver a post-acute continuum of care model. This creates the ability to transition patients to different levels of care in a post-acute network. Payers are seeking the convenience of one-stop resources for contracting. Not a national company? Consider forming strategic partnerships to create similar post-acute continuum models.