



**Harris Williams & Co.**  
middle market<sup>®</sup>

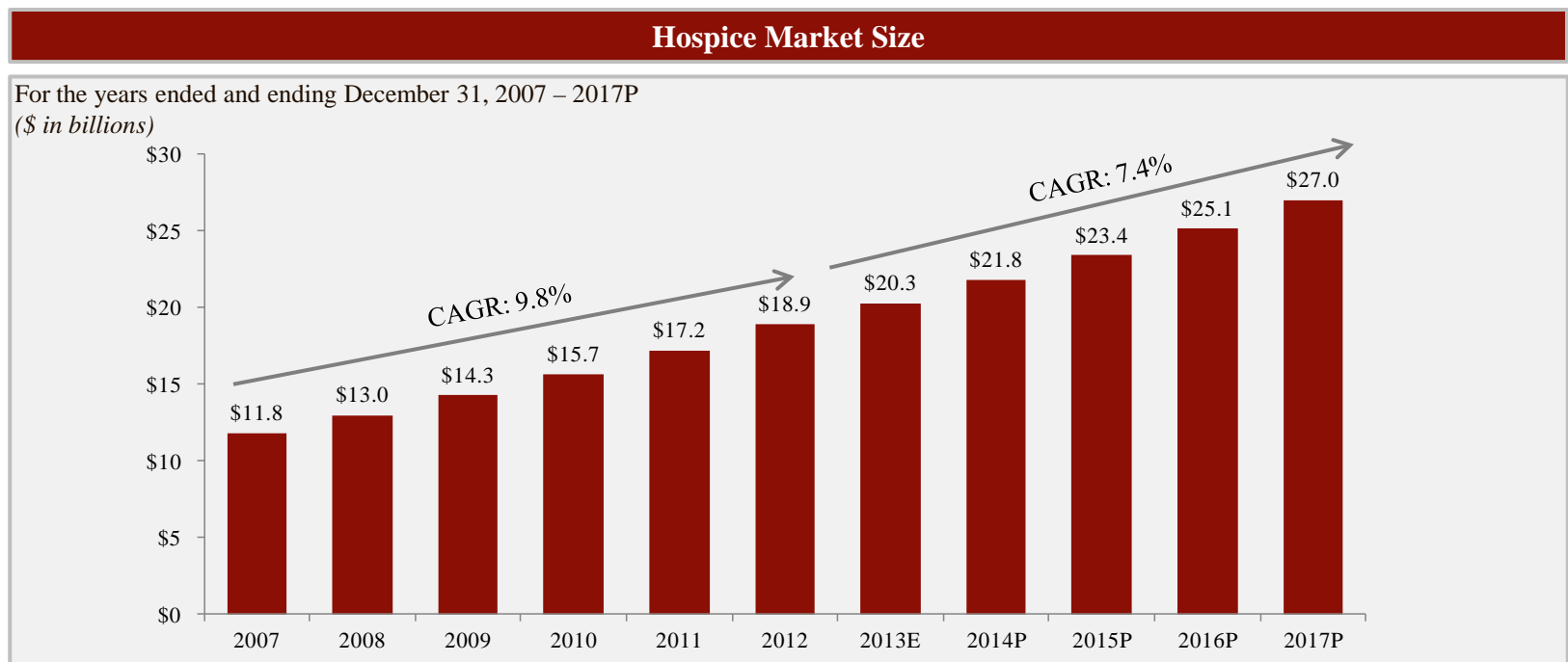
# Hospice Industry Overview

October 2013

Investment banking services are provided by Harris Williams LLC, a registered broker-dealer and member of FINRA and SIPC, and Harris Williams & Co. Ltd, which is authorized and regulated by the Financial Conduct Authority (FRN #540892). Harris Williams & Co. is a trade name under which Harris Williams LLC and Harris Williams & Co. Ltd conduct business.

## The \$18.9 billion hospice industry is projected to grow 7.4% annually through 2017P.

- Hospice is the provision of holistic and individualized care to patients facing a life limiting illness and their families.
  - Congress created the Medicare hospice benefit in 1982
  - Goal of hospice is to maximize quality of life and comfort, not to cure
- Hospice is gaining wider acceptance as an alternative to curative care at the end of life.
  - Approximately 44% of Medicare decedents in 2010 received hospice care compared to 23% in 2000
- Growth in the hospice industry will be driven by shifts in patient preferences towards non-acute care, hospice's cost saving value proposition, and the aging of the U.S. population.



Source: IBIS.

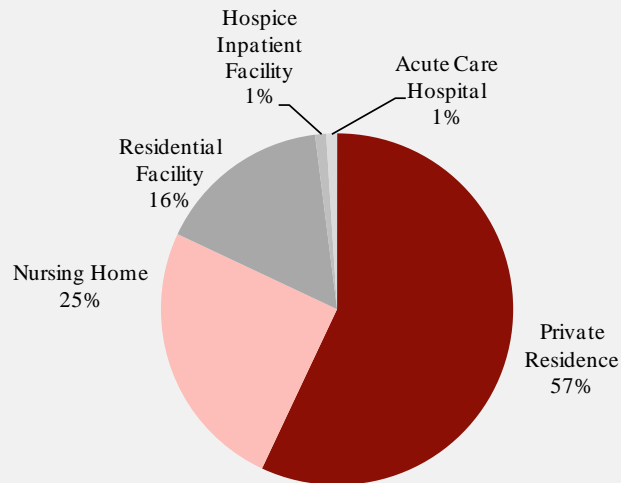
# Industry Growth Driver *Shift to Non-Acute Care*

**Utilization of hospice care is increasing as patient preference shifts to receiving end-of-life care in non-acute settings.**

- Overall shift towards treating patients outside of costly acute care settings benefits hospice utilization.
  - 98% of hospice patient care days are delivered in a non-acute setting
  - The percentage of elderly who died in acute care hospitals fell from 33% in 2000 to 25% in 2009
- Patients and families continue to become more educated on the many benefits of hospice, driving utilization.

## Hospice Site of Service Mix

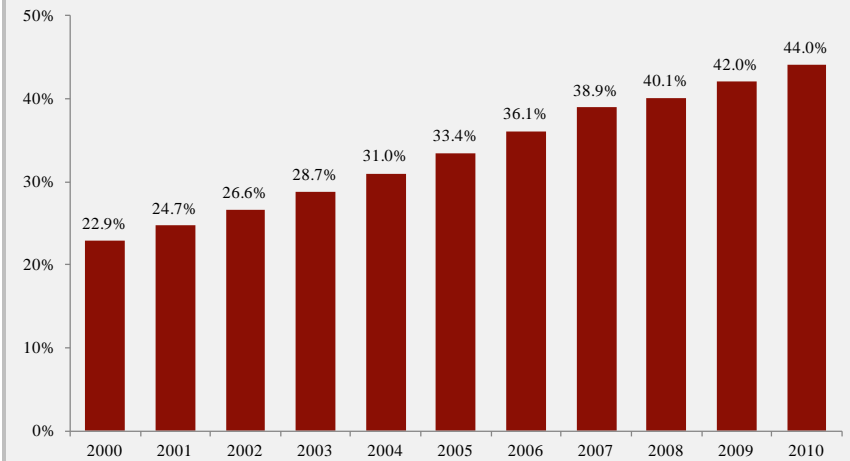
For the year ended 2012



Source: MedPac and National Hospice and Palliative Care Organization (“NHPCO”).

## Medicare Hospice Utilization<sup>1</sup>

For the years ended and ending December 31, 2010 - 2010



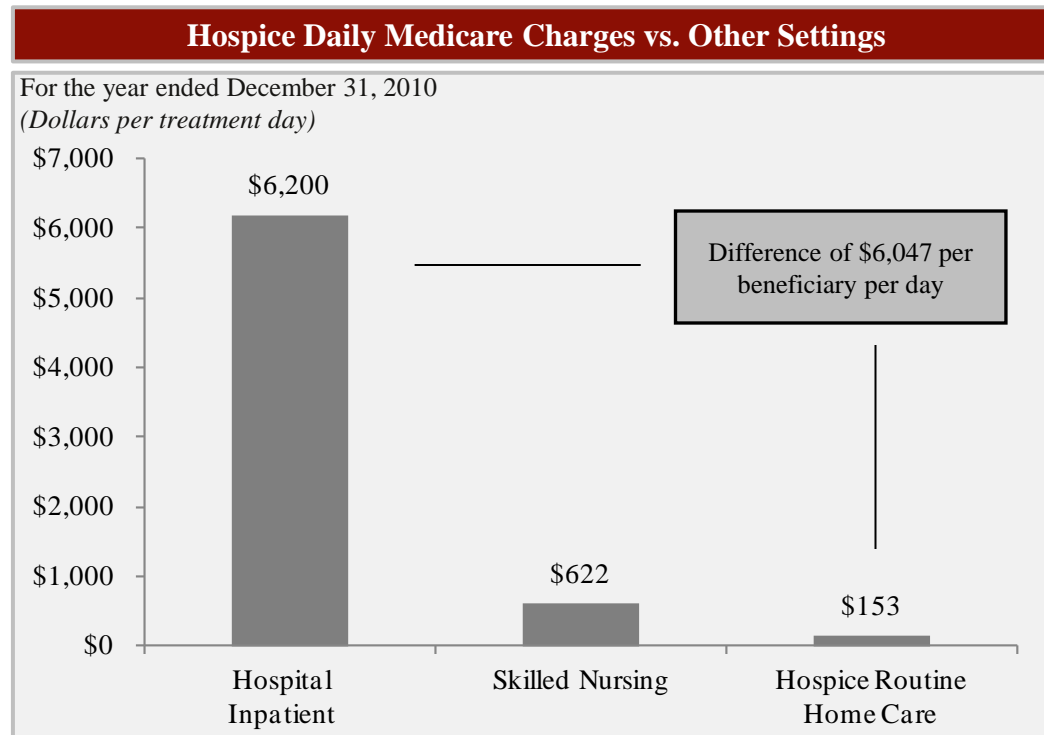
Source: MedPac and NHPCO.

(1) Defined as deaths under hospice care divided by total annual deaths.

# Industry Growth Driver *Cost Saving Value Proposition*

**Hospice offers a compelling value proposition as the lowest cost alternative for treating terminally-ill patients.**

- Seniors age 65 and older account for approximately 40% of healthcare expenditures.
- Approximately 30% of a senior's total Medicare expenditures occur in the year preceding death.
- Managing end-of-life care is a key area of focus of healthcare cost containment.
- Patients who are admitted to hospice care spend up to nine fewer days in a hospital.
- Hospice is by far the lowest cost patient setting with a average per diem cost of \$153 per day.



Source: Hospice Associate of American and Health Affairs.

# Industry Growth Driver

## *Aging Population*

The aging U.S. population will continue to drive growth in hospice utilization.

- Seniors over the age of 65 represent 83% of hospice patients.
  - Over 65 age group will grow from 40.2 million in 2010 to 54.8 million in 2020P

### Hospice Patients by Age

For the year ended 2011

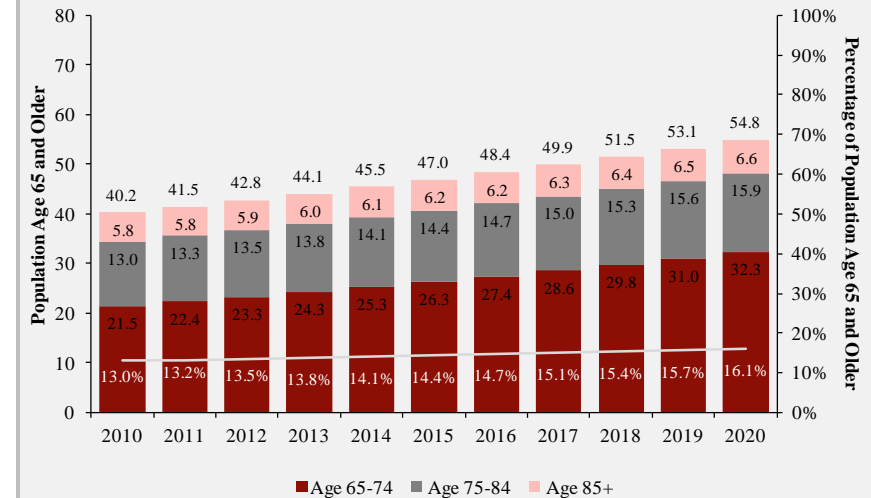
Patient Age	% of Total Hospice Patients
Less than 24 years	0.4%
25 - 34 years	0.4%
35 - 64 years	16.0%
65 - 74 years	16.3%
75 - 84 years	27.6%
85 years and over	39.3%

} 83%

Source: NHPCO.

### Population Age 65 and Over

For the years ended 2010 – 2020  
(population in millions)



Source: Department of Health and Human Services, Administration on Aging.

## Hospice care is covered under Medicare, Medicaid, and many private insurance plans.

- The Medicare hospice benefit is the predominant source of payment for hospice care in the U.S. and accounts for approximately 90% of reimbursement.
  - Hospice is provided free of charge to patients under the Medicare benefit
  - Medicare reimbursement rates vary based on the patient’s acuity and the level of care needed
- The Medicare Cap (“Cap”) is an annual limitation on reimbursement for providing hospice treatment.
  - Cap was \$25,377 per patient for 2013
  - Excessively long lengths of stay present risks of violating the Cap and incurring mandatory repayments to CMS
- In recent years, the hospice industry has received reimbursement increases from CMS.

### Current Hospice Reimbursement Overview

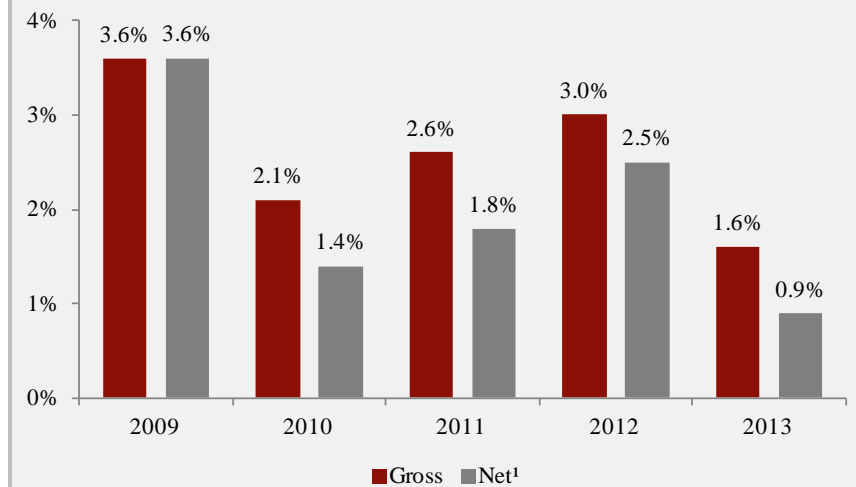
For the year ending October 31, 2013

Level of Care	Description	Per Diem Rate	Component Subject to Wage Index	Non-Weighted Amount
Routine Home Care	Home care provided on a typical day	\$153.45	\$105.44	\$48.01
Continuous Home Care	Home care provided during periods of patient crisis	\$895.56	\$615.34	\$280.22
Inpatient Respite Care	Inpatient care for a short period to provide respite for primary caregiver	\$158.72	\$85.92	\$72.80
General Inpatient Care	Inpatient care to treat symptoms that cannot be managed in another setting	\$682.59	\$436.93	\$245.66

Source: CMS.

### Historical Hospice Reimbursement Rate Changes

For the years ending October 31, 2009 – 2013



Source: CMS.

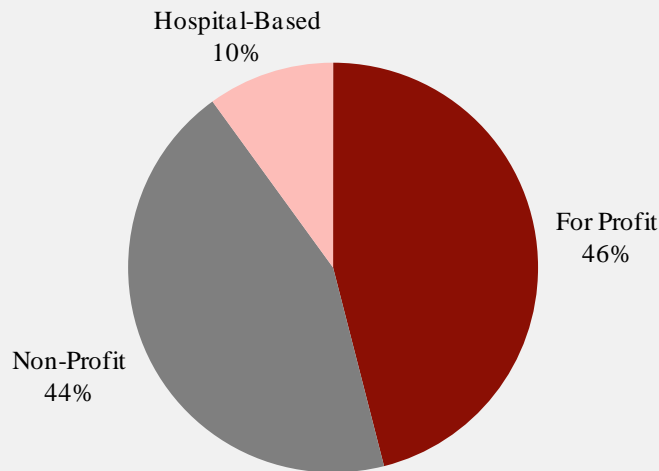
(1) Net of BNAF phase-out and Wage Index change. Excludes impact from budget sequestration.

**Hospice is a highly fragmented market with no individual provider comprising more than 7.4% of the market.**

- 44% of the market is served by non-profit and government hospices.
- The top 4 players only account for approximately 17% market share.

### Hospice Market Competitive Overview

For the year ended 2012



Source: CMS and public filings.

### Largest Hospice Players

For the year ended 2012

Hospice Platform	Daily Census Estimate	States of Operation	Market Share
Vitas	14,443	18	7.4%
Gentiva	12,700	29	6.5%
Amedisys	5,091	25	2.6%
LHC	1,100	19	0.6%
Other (Over 3,500 Hospices)	161,842	N/A	82.9%

Source: CMS and public filings.

Harris Williams & Co. ([www.harriswilliams.com](http://www.harriswilliams.com)) is a preeminent middle market investment bank focused on the advisory needs of clients worldwide. The firm has deep industry knowledge, global transaction expertise, and an unwavering commitment to excellence. Harris Williams & Co. provides sell-side and acquisition advisory, restructuring advisory, board advisory, private placements, and capital markets advisory services.

Investment banking services are provided by Harris Williams LLC, a registered broker-dealer and member of FINRA and SIPC, and Harris Williams & Co. Ltd, which is authorised and regulated by the Financial Conduct Authority. Harris Williams & Co. is a trade name under which Harris Williams LLC and Harris Williams & Co. Ltd conduct business.

**THIS REPORT MAY CONTAIN REFERENCES TO REGISTERED TRADEMARKS, SERVICE MARKS AND COPYRIGHTS OWNED BY THIRD-PARTY INFORMATION PROVIDERS. NONE OF THE THIRD-PARTY INFORMATION PROVIDERS IS ENDORSING THE OFFERING OF, AND SHALL NOT IN ANY WAY BE DEEMED AN ISSUER OR UNDERWRITER OF, THE SECURITIES, FINANCIAL INSTRUMENTS OR OTHER INVESTMENTS DISCUSSED IN THIS REPORT, AND SHALL NOT HAVE ANY LIABILITY OR RESPONSIBILITY FOR ANY STATEMENTS MADE IN THE REPORT OR FOR ANY FINANCIAL STATEMENTS, FINANCIAL PROJECTIONS OR OTHER FINANCIAL INFORMATION CONTAINED OR ATTACHED AS AN EXHIBIT TO THE REPORT. FOR MORE INFORMATION ABOUT THE MATERIALS PROVIDED BY SUCH THIRD PARTIES, PLEASE CONTACT US AT +1 (804) 648-0072.**

*The information and views contained in this report were prepared by Harris Williams & Co. ("Harris Williams"). It is not a research report, as such term is defined by applicable law and regulations, and is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. The information contained herein is believed by Harris Williams to be reliable but Harris Williams makes no representation as to the accuracy or completeness of such information. Harris Williams and/or its affiliates may be market makers or specialists in, act as advisers or lenders to, have positions in and effect transactions in securities of companies mentioned herein and also may provide, may have provided, or may seek to provide investment banking services for those companies. In addition, Harris Williams and/or its affiliates or their respective officers, directors and employees may hold long or short positions in the securities, options thereon or other related financial products of companies discussed herein. Opinions, estimates and projections in this report constitute Harris Williams' judgment and are subject to change without notice. The financial instruments discussed in this report may not be suitable for all investors, and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. Also, past performance is not necessarily indicative of future results. No part of this material may be copied or duplicated in any form or by any means, or redistributed, without Harris Williams' prior written consent.*