



HOME INFUSION INDUSTRY OVERVIEW

June 2014

Harris Williams & Co.
middle market®

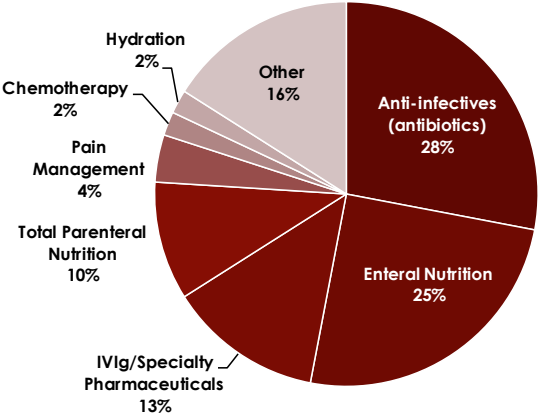
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HOME INFUSION MARKET OVERVIEW

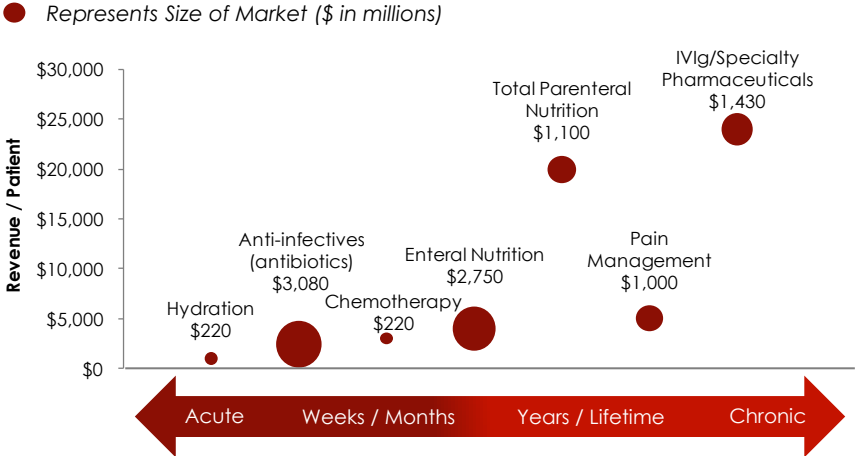
Cost-containment trends and developments in the clinical administration of infusion therapy support the sustained growth of the \$11.0 billion home and alternate site infusion therapy industry.

- “Traditional” infusion therapies typically treat shorter-term / acute patient conditions, while “specialty” infusion therapies are typically more expensive, require high value services, and are longer-term drug therapies addressing patients’ chronic conditions.
- Expanding patient population driven by:
 - Aging U.S. population
 - Increasing incidence of chronic conditions
 - Increased patient access to healthcare
- Increasing penetration of home and alternate site infusion services resulting from:
 - Continued recognition of the benefits of home infusion therapy
 - Patient preference
 - Shift from acute care settings to lower cost, high quality alternate sites
 - Robust pipeline of infusible drugs

INFUSION THERAPY PRODUCT MARKET SHARE



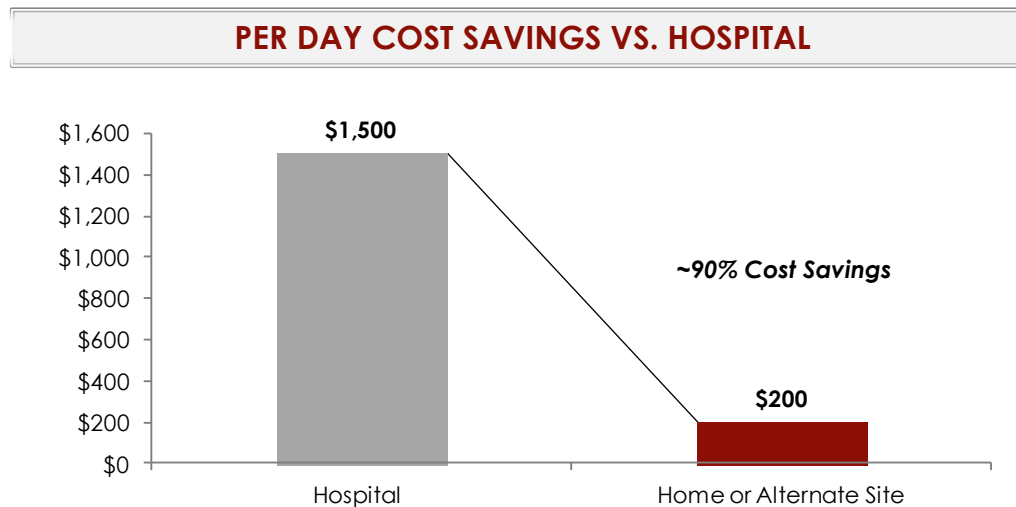
CHRONIC CONDITION CONTINUUM



INDUSTRY GROWTH DRIVERS: INCREASING PENETRATION OF HOME INFUSION

Penetration of home and alternate site infusion therapy services is increasing as industry constituents better understand the cost savings and preferences of outpatient treatment.

- Shift to lower cost, high quality alternate site providers.
 - As much as 90% cost savings when compared to the same infusion care conducted in an institutional setting
 - Payor preference for lower cost, high quality outpatient treatment will continue to increase demand for at-home or alternate site infusion services
- Patient and caregiver preferences continue to shift toward at-home or alternate site care for non-financial reasons.
 - 85% of Americans view the availability of long-term care services in the home as very or extremely important¹
 - The percentage of people over 75 living in nursing homes fell from 10% in 1985 to less than 6% in 2010¹



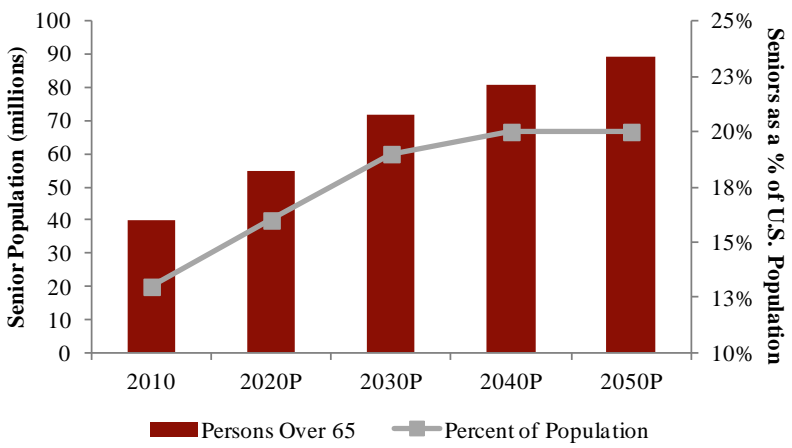
INDUSTRY GROWTH DRIVERS: EXPANDING PATIENT POPULATION

Home and alternate site infusion therapy segment growth is driven by favorable demographic and secular trends which lead to an expanding patient population.

- Elderly population more likely to develop conditions requiring infusion therapy.
 - By 2050P, 19% of the population will be over 65, compared to only 13% today
- Increased incidence of chronic conditions as a result of growing size and lengthening life span of senior population and unhealthy lifestyle of younger Americans.
 - Over 170 million Americans will be afflicted with a chronic disease by 2030P
- The Patient Protection and Affordable Care Act will grant more than 32 million previously uninsured individuals access to medical coverage increasing the potential patient population for home infusion therapy.

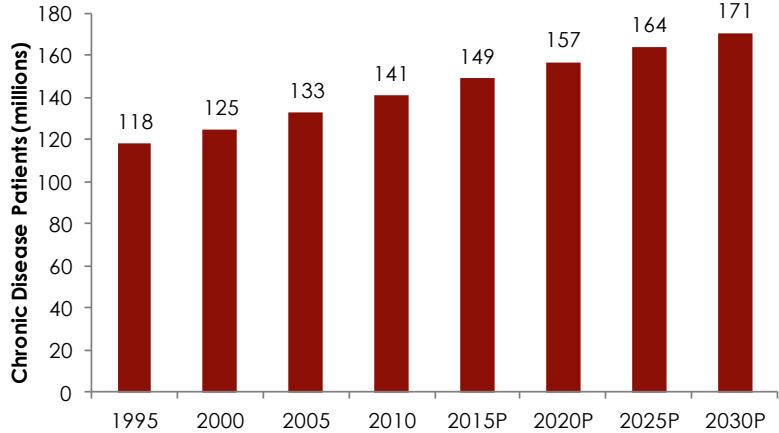
U.S. SENIORS BY AGE AND % OF POPULATION

For the Years 2010 – 2050P



CHRONIC DISEASE IN THE U.S.

For the Years 1995 – 2030P

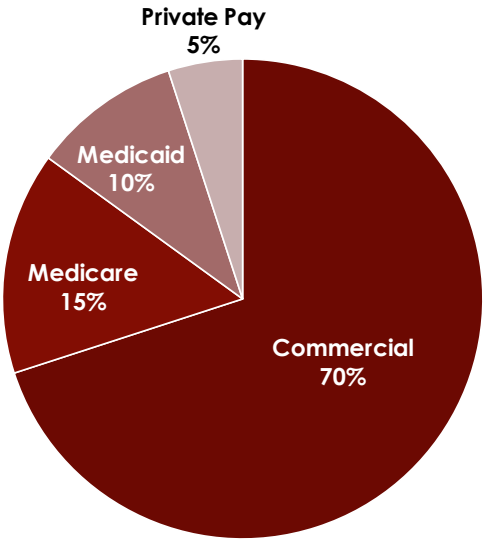


REIMBURSEMENT ENVIRONMENT

Home and alternate site infusion therapy services reimbursement trends should continue to support the shift of patient care away from the hospital setting.

- Most common method of payment used by private health care plans and Medicare Advantage plans is a three-component payment consisting of:
 - A payment for the drug;
 - A per diem payment for supplies, equipment, pharmacy services, and other non-nursing services; and
 - A payment for each episode of nursing care
- Majority of health plans pay for drugs based on a discount to the average wholesale price.
- Home infusion therapy is typically reimbursed under medical coverage rather than the pharmacy benefit due to the high-touch service offering.

INDUSTRY REIMBURSEMENT MIX

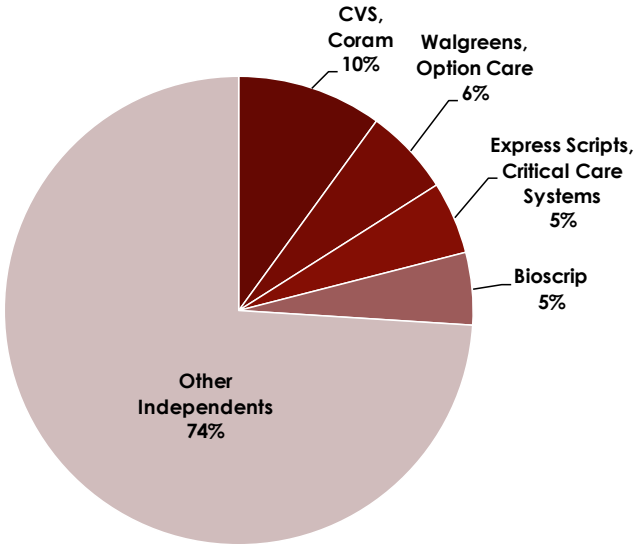


COMPETITIVE LANDSCAPE

The home and alternate site infusion therapy services market is highly fragmented.

- Highly fragmented market with no individual provider comprising more than 10% market share.
 - Handful of larger, national providers offer home and alternate site infusion as part of a larger product and service offering
 - 800 to 1,000 small, independently-owned providers
 - Hospital systems that provide infusion services to their patients in a hospital setting
- Meaningful barriers to entry:
 - Referral source and payor relationships
 - Recruitment and retention of clinical staff
 - Brand recognition
 - Strict billing and regulatory requirements of the industry
- The industry has experienced consolidation of individual or smaller networks by larger, more established alternate site infusion companies.
 - Local participants struggle with the complex operational and regulatory requirements of the industry and most lack sufficient infrastructure or capital for continued regional expansion

HIGHLY FRAGMENTED INDUSTRY



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