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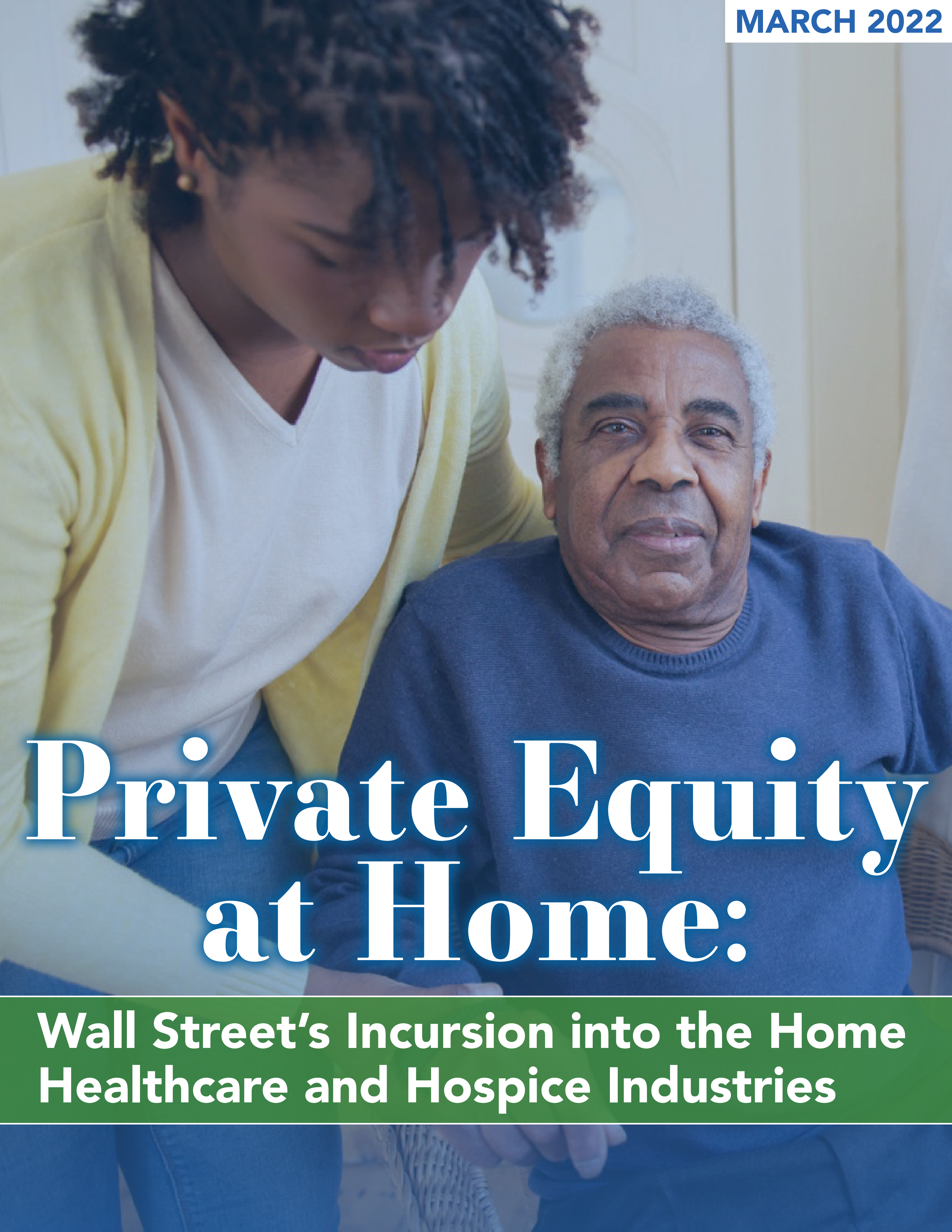

Private Equity at Home:

Wall Street's Incursion into the Home Healthcare and Hospice Industries

Key points:

- The home healthcare and hospice industries are profitable, with total Medicare spending on home healthcare services increasing by 108.2% from 2000 to 2017 and Medicare payments to hospices increasing from $2.8 billion to $17.7 billion during the same time period.
- Both industries are dominated by for-profit companies: two thirds of all hospices were for-profit in 2017, and 80.6% of home healthcare agencies were for-profit in 2016.
- Private equity firms have heavily invested in both the home healthcare and hospice industries in recent years. From 2018 and 2019, private equity was involved in almost 50% of deals in the home healthcare industry, and private equity hospice transactions rose nearly 25% between 2011 to 2020.
- The private equity business model, which often means substantially cutting costs to increase cash flow, may exacerbate quality issues that for-profit home healthcare and hospice companies already face, including insufficient investment in staffing and operations.
- Policymakers should implement laws that promote greater transparency and oversight over private equity transactions in the home healthcare and hospice industries.
- Case Studies:
  - *BrightSpring Health Services (ResCare)—KKR, Onex Corporation*
  - *Interim Healthcare—Levine Leichtman, Wellspring Capital*
  - *Aveanna Healthcare—J.H. Whitney & Bain Capital*

1 Introduction

Even before the Covid-19 pandemic, demand for home healthcare and hospice services has exploded. As the nation's population ages, many elderly Americans have decided to receive assisted living or end of life services at home rather than in a facility, such as a nursing home. It is easy to understand why people would choose to remain home rather than an assisted living facility: to be among family and friends, familiarity, privacy, etc. However, due to increased demand and stable Medicare and Medicaid reimbursement schemes, home healthcare and hospice services—industries that had traditionally been dominated by non-profit companies—have increasingly been provided by for-profit companies.[1]

As for-profit home healthcare and hospice companies have become more profitable, private equity firms have turned to them as reliable sources of revenue in the healthcare sector. Unfortunately, for-profit home healthcare and hospice companies have been linked to lower standards of care compared to their non-profit counterparts, including, but not limited to, a lower number of visits to patients by healthcare professionals (registered nurses, physicians, or nurse practitioners) in their final days in hospice,[2] higher rates of hospitalization in home healthcare[3] and poorly paid—yet highly stressed—employees in both sectors.[4] This is additionally troubling because such for-profit entities serve higher percentages of people of color and those with low incomes.[5]

Private equity's increased involvement in for-profit home healthcare and hospice companies may exacerbate the aforementioned issues due to the industry's focus on profit maximization—sometimes at the expense of good stewardship[6]—and therefore should garner more scrutiny by those concerned about the quality of our healthcare system.

2 Homecare and Hospice are Profitable

A. HOME HEALTHCARE

Home healthcare refers to a wide range of health care services that can be provided in the home for an illness or injury.[7] The home healthcare industry has grown tremendously in the last two decades. Total Medicare spending on home healthcare services increased by 108.2% from 2000 to 2017.[8] Additionally, according to the Medicare Payment Advisory Commission's (MedPac) March 2019 report to Congress, between 2004 and 2016 the number of home healthcare agencies increased by over 60%, and there were approximately 12,000 active home healthcare agencies in the market.[9] As of 2017, approximately 98% of Medicare beneficiaries lived in a zip code with a home healthcare agency.[10]

B. HOSPICE

Hospice is a program of care and support for people who are terminally (with a life expectancy of 6 months or less, if the illness runs its normal course) and their families.[11] The number of hospices doubled from about 2,300 to nearly 4,500 from 2000 to 2017, and for-profit hospices accounted for the entire net increase during that period.[12] As a result, for-profit hospices in 2017 made up about two-thirds of all hospices compared to fewer than a third in 2000.[13] Medicare payments to hospices increased from $2.8 billion to $17.7 billion from 2000 to 2017.[14]

C. MEDICARE AND MEDICAID

It is apparent that home healthcare and hospice companies have dramatically increased their profitability and proliferation over the past decade, and home healthcare and hospice services make attractive, reliable investments because such services are often paid for through Medicare and Medicaid.[15] For hospice payments, Medicare accounts for about 85.4%, Medicaid for 5%, managed care or private insurance for 6.9%, and other (including charity and self-pay) for 2.7%.[16] For long-term services and supports, which includes home healthcare in addition to nursing homes and community-based care, about 52% was covered through Medicaid, 20% other public or private programs, 16% out of pocket and 11% through private insurance.[17]

As discussed later in this report, the increase in for-profit home healthcare and hospice companies is significant because there are key differences between non-profit and for-profit entities in terms of outcomes and practices.[18] These differences may be related to the financial incentives and pressures that for-profit home healthcare and hospice entities are subject to as opposed to their non-profit counterparts. Due to its model of profit extraction, private equity investment in this space may exacerbate this difference.

3 Private Equity's Increasing Interest in Home Healthcare and Hospice Companies

Given the increase in demand for home healthcare and hospice services in the past two decades,[19] investments in these types of companies have been attractive to private equity. A common goal among private equity firms is to acquire a company through a leveraged buyout, hold it for 3-7 years, and generate as much as a 25% return for the private equity fund and its investors before selling it. The recent explosion of profitability in the home health and hospice industries provides an opportunity for private equity firms to achieve these high returns over short time periods. Additionally, due to the fragmented nature of the home healthcare and hospice industries with many small companies occupying the space, private equity firms often seek to consolidate those markets through a series of acquisitions and thereby drive down competition.[20]

Between 2018 and 2019, private equity was involved in almost 50% of deals in the home healthcare industry: 57 of the 129 transactions in 2018 and 46 of the 101 transactions in 2019.[21] Private equity investment in home healthcare companies reached an all-time high in 2019 and carried over in 2020, indicating a growing trend of private equity investment in the sector.[22] Additionally, private equity firms have purchased home healthcare companies at a "bargain" based on their potential value, which then increases opportunities to maximize returns on money invested, making home healthcare an appealing investment for private equity firms.[23] Out of the ten largest home healthcare companies that account for just over 26 percent of the market, four are owned (or have been owned until very recently) by private equity.[24]

Private equity investment activity in hospice care has been similarly active in recent years. Hospice transactions rose nearly 25% between 2011 to 2020, according to a recent industry transaction report from M&A advisory firm The Braff Group.[25] For example, private equity giant H.I.G. Capital has made a string of hospice acquisitions over the past two years. In 2020, H.I.G Capital acquired St. Croix Hospice from the Chicago-based private equity firm The Vistria Group.[26] In 2021, H.I.G. Capital continued to shore up its position in the hospice industry by acquiring CNS Hospice, Silverado Hospice (Des Plaines) and Homecare of Mid Missouri through its hospice platform companies (which includes St. Croix Hospice).[27] Although it appears that not many large-scale hospices remain on the market to drive further private equity interest, smaller hospice companies remain in play as private equity-owned firms continue to consolidate the industry.[28]

Recent Private Equity Acquisitions of Home Health and Hospice Companies

Company	Type	PE Firm	Add-on Acquirer	Buyout/ Add-on	Date
Caring Brands International (Interim Healthcare)	Home health	Wellspring Capital Management		Buyout	21-Oct
Agape Care Group	Hospice	Ridgemont Equity Partners		Buyout	21-Oct
24 Hour Home Care	Home health	Pantheon Capital Partners	Team Services Group	Add-on	21-Oct
Pilgrimage Hospice	Hospice	Lorient Capital Management	Transitions Hospice	Add-on	21-Oct
Agusti Medical	Hospice	Lorient Capital Management	Transitions Hospice	Add-on	21-Oct
Advance Hospice Care	Hospice	Lorient Capital Management	Transitions Hospice	Add-on	21-Oct
Centerpeace Home Healthcare and Companion Services	Home health	HCAP Partners and Bain Capital	Arosa+LivHome	Buyout	21-Oct
Homecare of Mid Missouri	Hospice	H.I.G. Capital	St. Croix Hospice	Add-on	21-Oct
PromptCare	Home health	Waud Capital Partners		Buyout	21-Sep
Alleo Health	Hospice	Thomas H. Lee Partners and Maranon Capital	Care Hospice	Add-on	21-Sep
Hospice of Chattanooga	Hospice	Thomas H. Lee Partners	Care Hospice	Add-on	21-Sep
Lumicare Hospice (Kansas and Missouri Operations)	Hospice	Dorilton Capital	Traditions Health	Add-on	21-Sep
Saints Hospice	Hospice	Pharos Capital Group	Charter Health Care Group	Add-on	21-Aug
Genesis HospiceCare	Hospice	Pharos Capital Group	Charter Health Care Group	Add-on	21-Aug
Home Care Pulse	Home health	Cressey & Company	Home Care Pulse	Add-on	21-Aug
Southeastern Health Care at Home	Home health	Advent International	AccentCare	Add-on	21-Aug
Tender Care Hospice	Hospice	Vistria Group	Mission Healthcare	Add-on	21-Jul

Sun Tree Home Health & Hospice	Hospice	Vistria Group	Mission Healthcare	Add-on	21-Jul
Healthy Living Network	Home health	Vistria Group	Mission Healthcare	Add-on	21-Jul
Hands of Hope Home Health Hospice	Hospice	Vistria Group	Mission Healthcare	Add-on	21-Jul
Circle of Care	Home health	Two Sigma Impact		Buyout	21-Jul
Community Care Systems	Home health	Help at Home	Wellspring Capital Management, Centerbridge Partners and Vistria Group	Add-on	21-Jul
Signal Home Health Care	Home health & hospice	Health Enterprise Partners and SV Health Investors	Jet Health	Add-on	21-Jul
Silverado Hospice (Des Plaines)	Hospice	H.I.G. Capital	St. Croix Hospice	Add-on	21-Jul
Integrity Hospice	Hospice	Vistria Group	Agape Care South Carolina	Add-on	21-Jul
CNS Hospice	Hospice	H.I.G. Capital	St. Croix Hospice	Add-on	21-Jul
Just For You! Personal Support Services	Home health	Coppermine Capital	Accord Services	Add-on	21-Jul
Alpha Home Health and Hospice	Hospice	Choice Health at Home	Coltala Holdings	Add-on	21-Jul
Care Advantage	Home health	Searchlight Capital Partners		Buyout	21-Jun
Choice Health at Home	Home health	Coltala Holdings		Buyout	21-Jun
Southeastern Home Health Services	Home health	Advent International	AccentCare	Add-on	21-Jun
Philips (Aging and Caregiving Business in Framingham, Massachusetts)	Home health	Onex Falcon, Rock Ventures and Rockbridge Growth Equity	Connect America	Add-on	21-May
Ameracare	Home health & hospice	Dorilton Capital	Traditions Home Health Car	Add-on	21-May
Loma Linda University Medical Center Home Health	Home health	Vistria Group	Mission Healthcare	Add-on	21-Apr
Home Helpers Home Care	Home health	RiverGlade Capital		Buyout	21-Apr
The Providence Home Health & Hospice	Home health	Pharos Capital Group	Charter Health Care Group	Add-on	21-Apr

Doctor's Choice Holdings	Home health	J.H. Whitney Capital Partners, Bain Capital	Aveanna Healthcare	Add-on	21-Apr
Hospice De La Luz	Hospice	Health Enterprise Partners, SV Health Investors	Jet Health	Add-on	21-Apr
Hearts for Hospice	Hospice	Grant Avenue Capital	Valeo Home Healthcare	Add-on	21-Apr
HealthPRO Heritage	Contract therapy for SNFs, home health	Wellspring Capital Management		Buyout	21-Mar
Alliance Home Health Care & Hospice Care	Home health	Vistria Group	Mission Healthcare	Add-on	21-Mar
PROHealth Home Care	Senior care	The Riverside Company	Best Life Brands	Add-on	21-Mar
NBN Infusions	Home health	The Halifax Group	PromptCare	Add-on	21-Mar
Serene Care Hospice	Home health	Pharos Capital Group	Charter Health Care Group	Add-on	21-Feb
Physmed Home Health Care	Home health	Pharos Capital Group	Charter Health Care Group	Add-on	21-Feb
Abode Healthcare	Home health & hospice	KKR	Brightspring Health	Add-on	21-Feb
Companion Hospice (California Operations)	Hospice	Webster Equity Partners	Bristol Hospice	Add-on	21-Jan
Interim HealthCare (San Diego Franchise)	Home health and hospice	Levine Leichtman Capital Partners	Interim HealthCare	Add-on	21-Jan
Valeo Home Healthcare	Home health	Grant Avenue Capital		Buyout	21-Jan
Traditions Home Care	Home health and hospice	Dorilton Capital	Traditions Home Health Care	Add-on	21-Jan
Secure Home Care	Home health and hospice	Dorilton Capital	Traditions Home Health Care	Add-on	21-Jan
Heritage Hospice	Home health and hospice	Dorilton Capital	Traditions Home Health Care	Add-on	21-Jan
Grace Hospice & Palliative Care	Home health and hospice	Dorilton Capital	Traditions Home Health Care	Add-on	21-Jan
Bridgeway Health Services	Home health	Broadgate Capital and Merit Capital Partners	Reliant Home Health	Add-on	21-Jan
Intelicare Health Services	Home health	Revelstoke Capital Partners	The Care Team	Add-On	20-Dec
Harbor Light Hospice	Hospice	Dorilton Capital	Traditions Home Health Care	Add-On	20-Dec

Centennial Hospice	Hospice	Dorilton Capital	Traditions Home Health Care	Add-On	20-Dec
Seasons Hospice & Palliative Car	Hospice	Advent International	AccentCare	Add-On	20-Dec
Lakeway Home Health	Home health	3 Rivers Capital	Amazing Care	Add-On	20-Dec
Phoenix Home Care & Hospice, Heartwood Home Health & Hospice	Home health	Pharos Capital Group	Charter Health Care Group	Add-on	20-Oct
Vital Care Home Infusion Services	Home health	Linden Capital Partners		Buyout	20-Oct
St. Croix Hospice	Hospice	H.I.G. Capital		Buyout	20-Oct

Risks Associated with Private Equity Ownership of Healthcare Companies

The increased interest of private equity firms in home healthcare and hospice services may be cause for concern, as private equity-owned firms in other healthcare industries, such as nursing homes, have often been associated with a decrease in the quality of care.[29] In an effort to achieve outsized returns over short periods of time, private equity firms have engaged in cost-cutting tactics that can harm patient care.[30] A September 2021 report published by the Journal of the American Medical Association noted that in hospice services, profit maximization tends to mean decreasing visits to hospice patients by professional staff, using underlicensed employees for visits and, prioritizing patients who are anticipated to remain in hospice for longer periods of time than those who are predicted to die sooner.[31]

Routine private equity tactics involving debt can distort financial incentives for home healthcare providers as well. For example, Home Care Assistance and Interim Healthcare, both of which are private equity-owned home healthcare companies, have recently engaged in dividend recapitalizations (Home Care Assistance in 2019 and 2021, and Interim Healthcare in 2018),[32] a practice whereby portfolio companies take on debt to pay dividends to their private equity owners. This practice adds debt to the healthcare companies, which leaves them more susceptible to market conditions and diverts capital that could be used to improve operations to debt payments.[33]

4 Case Studies

For-profit companies dominate the home healthcare and hospices industries, and private equity continues to increase its footprint in those spaces. The harmful practices of for-profit home health and hospice companies could be exacerbated by private equity's pursuit of outsized returns over relatively short periods of time. The following are a few examples of private equity ownership of home healthcare and hospice companies that have experienced controversy:

A. BRIGHTSPRING HEALTH SERVICES (RESCARE)—KKR, ONEX CORPORATION

Although it just filed for an initial public offering in October 2021,[34] BrightSpring Health Services (formerly ResCare) is a home healthcare company owned by private equity firm Kohlberg Kravis Roberts (KKR). It specializes in home and community health services primarily serving people with intellectual/developmental disabilities. KKR acquired BrightSpring in 2019 and merged it with Pharmerica, a pharmacy services company. BrightSpring has over 50,000 employees and operates in 47 states, Puerto Rico and Canada.[35] Until recently, the company was doing business under the name of ResCare.[36] Before KKR's acquisition, BrightSpring had been owned by Canadian private equity firm Onex Corporation since 2010.[37]

BrightSpring has faced a number of lawsuits involving employees since it has been owned by the private equity firms. In 2015, the U.S. Department of Labor found that a subsidiary of BrightSpring operating in West Virginia failed to pay overtime to 55 employees and ordered the company to pay $279,919 in back wages and damages.[38] In a similar 2013 case for alleged violations of the Fair Labor Standards Act for nonpayment of overtime, Brightspring settled with the aggrieved Georgia employee for $20,000 (she was paid $8.00/hr.).[39] In another Georgia case, BrightSpring settled a class action lawsuit with employees that had not been paid for the time it took to drive between patients' homes. That lawsuit was settled for $7,727,500 in 2018.[40]

In addition to the labor issues, BrightSpring has been investigated for lapses in patient care as well. In 2019, West Virginia's Office of Health Facility Licensure and Certification (OHFLC) released the results of its investigation of complaints about the company's operations in the state dating back to 2014. The findings were as follows:[41]

- Employees neglected to distribute 3,700 dosages of medication to eight different clients.
- A client died after consuming his nurse's opioid prescription.
- The probe found a CPR error at a Kanawha County ResCare facility proved fatal in October 2018 when a client choked on a meal.
- BrightSpring staff from the same agency entered a client's home to find him dead and blue in the face in March 2018. An OHFLAC investigation found staff failed to provide bed checks every 15 minutes as required due to the client's sleep apnea.
- In November 2018, when a client told staff he wasn't feeling well around 3 A.M. his caregiver tried to call the registered nurse on call but couldn't get in touch with her. Although she was required to, she failed to notify the other nurse on duty. The client's mortality report states at 6 A.M. he woke up unable to breathe.

- A client hit her head twice before dying in 2016—once when her wheelchair wasn't properly secured in a company van and another time days later when she fell getting out of bed due to lacking rails, which she required given damage sustained from a stroke.
- In 2017, a 13-year-old client died after he climbed through a window at a Charleston Brightspring facility and drove a company vehicle into a stone wall, which resulted in the engine compartment catching fire.
- After receiving a tracheotomy when he was in preschool, a client required his food to be chopped and to be reminded not to eat quickly. The client died when his caregiver gave him a piece of bread in 2016 that wasn't cut into pieces, as was required.
- Two OHFLAC probes found instances of staff sexually abusing clients.

Following the investigation, West Virginia issued an administrative order imposing an admissions ban and client cap on BrightSpring facilities in the state, which was set to expire after 8 months of satisfactory compliance.[42]

Despite quality issues at BrightSpring, the company has continued to grow substantially in recent years. Since the beginning of 2020 BrightSpring has acquired four home healthcare and hospice companies:

Company	Date	Locations
Advanced Home Care	Mar-20	GA, NC, SC, TN, VA
Sacred Journey Hospice	Dec-20	GA
Abode Healthcare	Apr-21	AL, AZ, CA, CO, IN, IA, MN, NV, OH, PA, TX, VA, WI
Dare Home Health & Hospice	Aug-21	NC

Credit rating agency Moody's Investor Service called BrightSpring's April 2021 acquisition of Abode Healthcare "credit negative," noting BrightSpring's high level of debt and that it signaled that "BrightSpring will continue to use debt to fund its future growth." Moody's also noted that "From a governance perspective, BrightSpring's private equity ownership raises the risk of aggressive, shareholder friendly policies." BrightSpring took out a $600 million loan to fund its acquisition of Abode.[43]

KKR imposes monitoring fees on BrightSpring, whereby BrightSpring pays KKR a percentage of its earnings on an annual basis. KKR also collected a transaction fee for the merger of Pharmerica and BrightSpring. Since KKR's acquisition, BrightSpring has paid KKR at $20.3 million in monitoring and transaction fees.[44]

A key takeaway from the BrightSpring example is that labor issues and quality of care can be intertwined when it comes to home healthcare. The private equity model of maximizing profit may come at the cost of essential investments in staff and operations; by failing to adequately invest in training, staffing levels, and wages to attract and retain consistent staff, firms may ultimately endanger patients and reduce the quality of care.[45]

B. INTERIM HEALTHCARE—LEVINE LEICHTMAN, WELLSPRING CAPITAL

Interim Healthcare, a company specializing in home healthcare and hospice, was acquired by private equity firm Wellspring Capital Management in October 2021 and was owned by Levine Leichtman Capital Partners (LLCP) from 2015—2021.[46] Interim has over 43,000 healthcare employees across 41 states, and provides nurses, therapists, aides and other healthcare personnel to an estimated 173,000 people annually.[47]

Interim's affiliate, Interim of Atlanta (also known as STG Healthcare of Atlanta), in 2020 paid $1.75 million to settle a lawsuit brought by the Department of Justice (DoJ) for violations of the False Claims Act (FCA).[48] The DoJ alleged that, between 2013 and 2017, Interim submitted claims for patients who were not terminally ill. Specifically, the government contended that Interim's business practices—setting aggressive goals for enrolling patients and failing to supervise properly the admission practices of its staff and medical directors—resulted in the submission of claims for ineligible patients.[49] The government also alleged that Interim submitted or caused the submission of claims to Medicare and Medicaid for services provided to individuals that were referred by a physician who Interim paid to be a "back up" medical director, but who did not serve as a legitimate hospice physician.[50]

Interim is not the only Levine Leichtman portfolio company that has paid a settlement for Medicare and Medicaid fraud, as its clinical laboratory services company, Genova Diagnostics Inc. paid up to $43 million in 2020 to settle allegations of billing for lab tests that were medically unnecessary.[51]

In 2018 Interim took on $161.4 million in new debt in part to pay a dividend to Levine Leichman, a practice known as dividend recapitalization. [52] This is another example of how private equity owners can use home healthcare and hospice companies as means to extract returns on their investments.

Finally, like BrightSpring, Interim has experienced employment-related controversy as well. In 2019 the U.S. Equal Employment Opportunity Commission (EEOC) announced that Interim Healthcare of Wyoming will pay $50,000 and furnish other relief to settle a pay discrimination lawsuit brought by the agency.[53] The EEOC's lawsuit charged that the company underpaid female nurses despite their performing substantially equal work under similar working conditions. Further, according to the EEOC, despite several complaints from female nurses and their male counterpart about the pay disparity, Interim failed to take any corrective action.[54]

C. AVEANNA HEALTHCARE—J.H. WHITNEY & BAIN CAPITAL

Aveanna Healthcare is majority-owned by private equity firms Bain Capital and J. H. Whitney.[55] It is a leading provider of pediatric skilled nursing and therapy services and adult home health and hospice services, primarily serving patients with medically complex needs. It operates in 30 states and has 42,000 employees.[56] It also primarily serves Medicaid patients.[57] During J.H. Whitney and Bain's ownership, Aveanna has come under scrutiny for compliance issues and poor quality of care that reportedly harmed patients.

Although Aveanna went public in April 2021,[58] it was privately owned by the private equity firm J.H. Whitney Capital Partners since 2015, and Bain Capital since 2017. J.H. Whitney and Bain Capital are still actively involved in the governance of Aveanna: the private equity firms together occupy 4 out of the 9 board seats of the company through individuals who are, or used to be, in senior management positions with the firms.[59]

In 2019 Bloomberg reported that at least seven children have died under Aveanna's care in Texas, Pennsylvania and Colorado. In these fatalities, health officials found that Aveanna's nurses failed to check vital signs, follow emergency procedures, appear for their shifts or give the proper doses of medicine.[60]

The Texas Department of State Health Services found that, from September 2016 through May 2019, Aveanna accounted for 85% of "deficiencies" at the 10 largest pediatric home-health agencies. According to Bloomberg, the company served only 23% of such agencies' patients.[61]

The contents of internal company documents, along with interviews by former employees, paints a picture of a company with a history of placing profits over people. Bloomberg reported that Aveanna's "internal company documents reveal financial incentives that favor corporate growth and cost-cutting over clinical care." Further, employees described how the pressure to meet financial targets hindered the quality of care for patients.

For example, according to Bloomberg, under one such incentive plan Aveanna tied 90% of bonuses to earnings growth, patient care hours and cash collection, respectively. Under the arrangement, instituted after Bain's 2017 investment, customer satisfaction and clinical outcomes each made up only 5% of the bonus incentive.[62]

Multiple former employees interviewed by Bloomberg believed there was a nexus between increased financial incentives under private equity ownership and lapses in quality of patient care at Aveanna. One former employee stated that the company would often decline to send nurses if it was short-staffed and had to pay overtime. "If I had a 20-year-old in Temple, Texas, on a ventilator who needed care during the weekend, to avoid paying overtime we would tell the patient we don't have it even if we had three or four nurses available[.]" The employee went on to say that "[t]here was much more pressure after the merger…it was clearly obvious the goal was to hit the numbers. The goal was to make money."[63]

5 Quality of Care: For-Profit vs. Non-Profit Home healthcare and Hospice

As the home healthcare and hospice industries have grown, so has the share of for-profit operators, so much so that they constitute the majority of providers in the market.

HOME HEALTHCARE

According to a 2019 report by the National Center for Health Statistics, for-profit home healthcare companies accounted for 80.6 percent of the sector in 2016.[64] The prevalence of for-profit home healthcare companies has garnered scrutiny given their overall record compared to non-profit companies.[65]

When compared to non-profit home healthcare companies, for-profit entities bill Medicare at higher costs for lower quality of care, according to a study published by the journal *Health Affairs* in 2014. For-profits had an overall cost per patient of $4,827, which was 18% higher than not-for-profit agencies' $4,075. Despite the higher costs, researchers found that for-profit agencies scored worse on overall quality indicators compared to non-profits—77.18% versus 78.71%, respectively. Notably, for-profit agencies scored lower than their non-profit counterparts on avoiding hospitalizations, 71.64% compared to 73.53%.[66]

HOSPICE

Like home healthcare companies, for-profit hospice companies have proliferated across the industry in recent years. In 2017, more than two-thirds of hospice providers were for-profit, compared with fewer than a third in 2000.[67] According to MedPAC, "the number of hospices doubled from about 2,300 to nearly 4,500 from 2000 through 2017, and for-profit hospices accounted for the entirety of the net increase during that time period."[68] This expansion of for-profit hospices may lead to poorer outcomes to patients when compared to their non-profit counterparts.

A 2019 report from the Government Accountability Office (GAO) found that hospices with the lowest quality (according to the Centers for Medicare & Medicaid Services' (CMS) composite quality measure implemented in 2017) scores were most likely to be for-profit, although average quality remained similar.[69] For example, for-profit hospices were more likely than their non-profit counterparts to have low rates of home visits in the last days of life by health professionals and high rates of live discharge from hospice.[70] GAO found that non-profit hospices had slightly higher percentages of white beneficiaries, and for-profit hospices had a greater proportion of patients enrolled in both Medicare and Medicaid, indicating that for-profit hospices are more likely to serve patients of color and low-income patients.[71] For-profit hospices were also more likely to serve patients with ailments that resulted in longer lengths of stay, such as dementia, rather than patients with conditions like cancer which usually require less time in hospice.[72]

6 Labor Issues Regarding Home Healthcare and Hospice Companies

Labor issues are pervasive in the home healthcare and hospice industries and given that the majority of companies in each sector are for-profit entities, profit maximization may be a major contributor to such issues. The consequences of these issues reach beyond the immediate harm posed to employees because if caretakers do not receive the resources they need—whether it be adequate pay, equipment, or sufficient time to care for each patient—patients may suffer from lack of adequate care as well.

Home healthcare employment is the fastest growing job in the United States. It is also one of the lowest paying professions in the country, with median compensation of $27,080 per year, or $13.02 per hour according to the U.S. Bureau of Labor Statistics.[73] Such compensation is comparable with entry-level positions in retail or other fields that are less specialized.[74] In fact, more than half of home care workers qualify for public benefits.[75] Of the people that work these jobs, 86% are women; 59% are people of color; 26% are immigrants to the U.S.; 15% live below the federal poverty level; and 44% live below 200 percent of the poverty level.[76]

Wage theft is also an issue that pervades the home healthcare industry, which already pays low wages.[77] For example, the U.S. Department of Labor filed five lawsuits against home healthcare providers in 2018 for violations of wage and hour laws, including unpaid overtime. Two of those lawsuits resulted in judgments in favor of the employees ($1.2 million against Access Home Care Inc. and $130,000 against At Home Personal Care Services LLC).[78]

In addition to low wages, home healthcare workers may also lack benefits. About 88% of domestic workers do not get paid time off, sick time, or employer-sponsored health insurance.[79] Additionally, about 26 percent of home care workers are uninsured.[80]

The job can also be physically demanding. In 2016, the Bureau of Labor Statistics reported that home healthcare workers were injured on the job at a rate of 4.7 injuries per 100 workers. Comparatively, construction workers reported 3 injuries for every 100 laborers.[81]

The lack of support combined with low wages paid to home healthcare workers may account for the high turnover rate.[82] High turnover rates can affect the quality of care afforded to patients, as familiarity with a caregiver is essential in helping patients feel secure and minimizes the chances of medication errors, miscommunications, and other issues that can arise when new caregivers are introduced.[83]

In all, the financial, emotional and physical burdens borne by home healthcare workers can affect the quality of care for patients. The private equity model, which often relies on cutting costs to maximize profits, could further exacerbate these issues.

7 Compliance Issues: False Claims Act

Since the home healthcare and hospice industries depend on payments from Medicare and Medicaid for much of their profits, there exists a significant risk for fraudulent activity. The False Claims Act (FCA) was created to provide the federal government, and private citizens on behalf of the federal government, with recourse against those that knowingly submit false claims to the government. In the home healthcare and hospice context, misconduct such as billing Medicare/ Medicaid for medically unnecessary devices or procedures, or billing the government for patients that do not need hospice services because they are not terminally ill, are examples of FCA violations.

Over the years, various private-equity-owned home healthcare and hospice companies have been sued by the federal government for violations of the FCA. For example:

1. **ACCENTCARE/GUARDIAN—OAK HILL CAPITAL PARTNERS:** In October 2015, AccentCare agreed to pay $3 million to resolve allegations that Guardian, its affiliate, knowingly submitted false claims to the Medicare program for hospice patients who were not terminally ill.[84]

2. **APRIA HEALTHCARE—BLACKSTONE GROUP:** In December 2020 Apria Healthcare, a provider of home healthcare equipment, agreed to pay $40 million to settle billing fraud allegations. According to the Florida Attorney General's Office, Apria submitted false claims to state Medicaid programs for noninvasive ventilators that patients didn't use or were not medically necessary. The alleged billing fraud took place from January 2014 to December 2019. Although Apria became a public company earlier this year, it had been owned by Blackstone since 2008.[85]

3. **CURO HEALTH SERVICES—GTCR:** In June 2021, the United States and Tennessee filed a consolidated complaint in intervention alleging violations of the FCA and the Tennessee Medicaid False Claims Act by Curo Health Services Holdings, Inc. The complaint alleges that since at least 2010 (when it was owned by private equity firm GTCR),[86] the defendants knowingly submitted or caused to be submitted false claims, and knowingly and improperly concealed or avoided its obligation to repay overpayments, for hospice services provided to patients who were ineligible for the Medicare or Medicaid hospice benefit because they were not terminally ill.[87]

4. **COMPASSUS—CRESSEY & COMPANY:** In 2014 CLP HealthcareServices (the parent company of Compassus, a palliative care and hospice care provider active in 30 states) agreed to pay the federal government $3.92 million to settle allegations that the company submitted false claims to the government for patients treated at its hospice facilities in Alabama. The federal government alleged that Compassus was submitting false claims for hospice care for ineligible patients.[88] The time period of the alleged fraud coincided with the ownership of Compassus by Cressey and Company.[89]

8 Policy Recommendations

As the home healthcare and hospice industries continue to be consolidated by private companies, policymakers should be vigilant as to the effects that such consolidation may have on patient care and employee wellbeing. Transparency and accountability for privately owned home healthcare and hospice companies is key to ensuring that quality of care, competition and fair labor standards remain intact, and that public money goes towards improvements in the industry rather than simply lining the pockets of private equity shareholders.

As part of the Build Back Better agenda, the Biden administration has proposed major investments earmarked for the home healthcare and hospice industries.[90] The Build Back Better Act passed by Congress, though currently stalled in the Senate, allocates $150 billion toward expanding access to quality, affordable home- or community-based care for the elderly and people with disabilities. These investments are intended to support access for long-term services for hundreds of thousands of Americans by reducing wait-lists, and to also improve job quality for care workers.[91] The bill also includes $1 billion for direct care workforce educational and training grants and $20 million for hospice and palliative nursing career programs. [92] A study by The LeadingAge LTSS Center @UMass Boston showed that increasing the pay of caregivers greatly enhances their financial security, thereby improving productivity and increasing the quality of care afforded to patients.[93] A study by the Washington Center for Equitable Growth showed that increased pay for caregivers prevented deaths, reduced health violations and lowered the cost of preventative care.[94]

Given the challenges that home healthcare workers face on the job, and the nexus between those challenges and the quality of care provided to patients, this plan could drastically help to ameliorate problems in the industry. However, federal agencies and state Medicaid agencies must maintain proper and frequent oversight over such funds to guarantee that they are used to reinvest in the home health and hospice workforce and patient capacity rather than enrich private equity firms. Even though the legislation appears unlikely to pass the Senate in its current form, policymakers should still consider major investment in the home health and hospice industries with the above considerations in mind.

Private equity firms are capable of influencing policymakers to produce positive legislative outcomes for the industry. The American Investment Council, the main trade association for the private equity industry, spent $540,000 on lobbying in the second quarter of 2021 on (among other things) "legislation affecting the regulation of private equity" and "legislation related to beneficial ownership of corporations."[95] As major investors in the home healthcare and hospice industries, private equity firms stand to gain a lot from federal funds infused into those spaces.[96]

Recommendations for possible safeguards against harmful practices by private equity owners of home healthcare and hospice companies include:

1. **FAIR LABOR STANDARDS:** Requiring strong labor standards such as wage and benefit floors for home healthcare and hospice workers, most of whom are underpaid, overworked women of color.[97]

2. **TRANSPARENCY:** Requiring transactions that result in changes in ownership and control of home healthcare and hospice companies be reported to CMS and publicly disclosed on its website, so that the public can know what entities are ultimately accountable for the care of their loved ones.[98]

3. **STRENGTHEN REGULATORY OVERSIGHT OF HOME HEALTHCARE AND HOSPICE PROVIDERS:** Requiring a higher frequency of inspection for a period after a change in ownership.[99] Currently, home healthcare and hospice agencies are evaluated by CMS every three years.[100]

4. **PROHIBIT OR LIMIT DIVIDEND RECAPITALIZATION:** Requiring corporate owners to refrain from indebting newly acquired home healthcare or hospice companies in order to pay shareholder dividends. To the extent dividend recapitalization is allowed, limit dividends to a percentage of profits.

5. **JOINT LIABILITY FOR PORTFOLIO COMPANIES:** Requiring joint and several liability for corporate owners of home healthcare and hospice portfolio companies. This would mean that if such companies were sued for violations of the FCA, FLSA or even gross negligence in caring for patients, a right of action would exist against the private equity owner as well. There is precedent for this, as private equity firm H.I.G. Capital in 2021 agreed to pay $20 million to settle allegations of Medicaid fraud in Massachusetts for actions attributed to it and its portfolio company, South Bay Mental Health Center.[101]

9 Conclusion

The home healthcare and hospice industries are some of the fastest growing industries in the United States economy, making it especially attractive to private equity firms. As for-profit companies continue to dominate these spaces, profit incentives continue to jeopardize quality of care for patients and quality of life for employees. Major investments in these industries, like those proposed in the Build Back Better Act, can help provide the resources necessary to improve the quality of care in the industry by supporting home healthcare and hospice workers. However, policymakers should prioritize transparency and accountability in this space to make sure public funds are being spent as intended, and to guarantee that the financial incentives of private equity firms do not distort the quality of care and labor standards of an increasingly important part of our healthcare system.

List of Largest Private Equity Owned Home Health and Hospice Companies by Number of Employees

Company	Type	# of Employees	PE Owner(s)	Date Acquired
Envision Healthcare	Home Healthcare	69,000	KKR	11 October 2018
BrightSpring Health Services/ Pharmerica	Home Healthcare	52,000	KKR	5 March 2019
Sevita (The Mentor Network)	Home Healthcare	40,000	Ascension Ventures, Centerbridge Partners, Vistria Group	8 March 2019
Team Services Group	Home Healthcare	31,938	Alpine Investors, HarbourVest Partners, Neuberger Berman, Pantheon Capital Partners	1 January 2015
Elara Caring	Home Healthcare	30,000	Athyrium Capital Management, Blue Wolf Capital Partners, Constitution Capital Partners, HarbourVest Partners, Kelso Private Equity, Leavitt Equity Partners, Manulife Investment Management -Private Equity & Credit	31 December 2016
Kindred Healthcare	Home Healthcare/ Hospice	23,000	Public Sector Pension Investment Board, TPG, Welsh, Carson, Anderson & Stowe	23 December 2021
Synergy Homecare	Home Healthcare	20,000	NexPhase Capital	5 April 2018
Home Care Assistance	Home Healthcare	10,000	Summit Partners	1 November 2015

Interim HealthCare	Home Healthcare/ Hospice	6,258	Wellspring Capital Management	25 October 2021
Compassus	Hospice	6,000	Towerbrook Capital Partners	31 December 2019
Accord Care	Home Healthcare	4,000	Coppermine Capital	15 October 2015
Centria Healthcare	Home Healthcare	3,500	Michigan Economic Development, Thomas H. Lee Partners	9 December 2019
Care Advantage	Home Healthcare	3,000	Searchlight Capital Partners	31 August 2021
Team Select Home Care	Home Healthcare	2,700	Tenex Capital Management	2 October 2017
AccentCare	Home Healthcare	2,252	Advent International	20 June 2019
Care Hospice	Hospice	2,000	Crescent Capital BDC, Maranon Capital, Thomas H. Lee Partners	9 December 2020
Caring People	Home Healthcare	2,000	Silver Oak Services Partners	14 November 2017
ViaQuest	Home Healthcare/ Hospice	1,900	Council Capital	26 March 2021
Mission Healthcare	Home Healthcare/ Hospice	1,500	Vistria Group	1 November 2020
Griswold Home Care	Home Healthcare	1,350	Labyrinth Capital Partners, Pouschine Cook Capital Management, Stonehenge Partners, Light Beam Capital, The Cambria Group, Pioneer Equity Partners and Bradford Brown Capital Partners	13 August 2021; 3 December 2012
Etairos Health	Home Healthcare	1,208	Petra Capital Partners	29 August 2017
Trilogy Home Healthcare	Home Healthcare	1,100	Kinderhook Industries	18 November 2016
Agape Care Group	Hospice	1,090	Ridgemont Equity Partners, Audax Group	14 October 2021
AdvantageCare Rehabilitation	Home Healthcare	1,000	Harbour Point Capital	31 December 2020
St. Croix Hospice	Hospice	900	H.I.G. Capital, Business Development Corporation of America BDC	30 October 2020
Choice Health at Home	Home Healthcare	800	Coltala Holdings, Trive Capital	29 June 2021

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