



TURNING POINT

A Wyatt Matas Research Publication

February 16, 2012

Twice a month, Colonnade and Wyatt Matas explore in depth a particular issue or policy development and its potential impact on your business and the healthcare industry.

Six Reasons to Watch the Medical Housecall Industry in 2012

The medical housecall industry is emerging as a powerful solution for post-acute and acute care providers that are looking for ways to effectively coordinate care and manage costs for the sickest portion of the population. Medical housecall practices are typically interdisciplinary medical practices that provide tailored medical services in a patient's home, coordinating care with the patient's other providers. Care teams of physicians, nurse practitioners and physician assistants take advantage of technological advances in mobile diagnostics and electronic health records to deliver and coordinate care. In our industry outlook for 2012, we noted the medical housecall industry was one to watch this year – here's why:


Medical housecall practices fit the post-reform environment

Health reform legislation changed the healthcare marketplace by giving providers greater accountability to coordinate care and reduce costs for the chronically ill. Specific pieces of the reform legislation encourage providers to leverage technological advances in diagnostics, information management, clinical decision-making and remote monitoring to increase efficiency and quality in care; housecall practices tailor care and create efficiencies through the judicious use of technology. The post-reform environment also recognizes that the relatively small population of the sickest patients bears the greatest burden in terms of poor outcomes and high costs. Because other care management and delivery models have not resulted in widespread solutions or ideal outcomes, many of the reform legislation's programs focus on controlling quality and cost outcomes with the sickest patients, which is also a major target of housecall practices. As we see providers across the healthcare spectrum continue to implement reform, primary care in the home becomes key to effectively managing the high-cost patient.

Medical housecall practices appeal to all stakeholders in the healthcare marketplace

Patients and caregivers benefit from medical housecall services because high-quality, personalized care is delivered in the patient's home, eliminating transportation and safety concerns for elderly, other sick patients with mobility issues. Public and private payers see the value in medical housecall services because in-home care increases patient monitoring, adherence to care plans and access to care, which in turn reduces unnecessary diagnostic tests and procedures. Hospitals value the reduced burden on emergency room services, as well as the reduction in

“The medical housecall industry is emerging as a powerful solution for post-acute and acute care providers that are looking for ways to effectively coordinate care and manage costs for the sickest portion of the population.”



costly readmissions, and primary care physicians with busy practices appreciate the fact that housecall teams can devote the time needed to coordinate care for their sick, home-bound patients who might have difficulty keeping up with appointments, following care plans or adhering to specific medication or diet instructions. Payers, hospital systems and other provider organizations are already beginning to target housecall practices as part of their larger acquisition strategies as they look to manage care and costs in the new marketplace. Why? Payers tell us they want creative care and reimbursement models, and housecall practices can efficiently anchor those models. Savvy healthcare systems – who we've worked with to help transition fee-for-service practices into a value-based purchasing framework – realize that the medical housecall industry holds the key to a successful, cost-effective post-acute strategy.

Medical housecall practices dovetail with innovative payment demonstrations

Payment demonstrations such as Independence at Home reward providers that can coordinate care, improve outcomes and achieve cost savings. Many providers without an existing care coordination hub recognize that housecall practices add value because their very missions overlap with the targets identified in the payment demonstrations: leveraging technology to coordinate care and control costs. We see more and more housecall practices being acquired as part of a provider's strategy to successfully participate in CMS demonstrations like IAH or other payer-driven quality programs. Housecall programs tend to provide a high return on investment in value-based payment demonstrations when compared to other care management models.

Medical housecall practices offer a way for post-acute providers to move up the value chain and remain competitive

As we noted in our February newsletter, some post-acute providers navigating the marketplace in the wake of health reform will remain competitive by offering an innovative care coordination solution to payers or other providers. Those companies that have an innovative, sophisticated and flexible mindset can build a care coordination solution or enhance an existing capability with housecall practices, using them to add a high-touch, low-cost physician component to their overall solution strategy. By mapping the industry and tapping into our extensive networks, we have connected post-acute providers with housecall practices that have the right mix of capabilities and infrastructure in order to fit the solutions platforms they are building.

Medical housecall practices will see a significant boost in valuations

Because of the value they add to a post-acute strategy, health systems, payers and post-acute providers have already begun to aggressively target housecall practices for acquisition and/or development. We project the industry will consolidate as big buyers "roll up" numerous small practices to build a comprehensive post-acute solution. As more buyers enter the market, valuations will rise – we're currently seeing valuations trending around 1.25-1.50x annual collections, but we project that valuations could rise to 2.0x collections. Like the post-reform trends in the acquisition of office-based practices, housecall practices with the right size, sophistication of infrastructure and quality of care will be aggressively pursued, and we expect that it will only take one noteworthy acquisition to set the tone for the market.

...we expect that it
will only take one
noteworthy
acquisition to set the
tone for the market ”



Medical housecall practices offer an ideal fit for many different types of buyers

Thousands of small, niche-specific practices make up the medical housecall industry, offering great potential to find the perfect match for many different types of buyers and solutions platforms. Unfortunately, this wide variety also makes the search for the right practice or practices difficult for a buyer who doesn't know the market. Although private equity firms, home healthcare agencies, integrated health systems and managed care organizations recognize the value of sending care teams into the home, their aggressive acquisition strategy can lose steam while they figure out where to start in terms of finding high-quality practices, evaluating their capabilities and determining how to properly value the practices. Having a knowledgeable partner with access is critical to the proper execution of a strategy. Our extensive database is one of the industry's largest, ranging from single-physician housecall practices to multi-professional teams with advanced infrastructures.

For questions about trends, specific directions and opportunities we see in the medical housecall industry, please contact Brent Feorene by email at bfeorene@colonnadehealthcare.com or by phone at 440 871 2756.

ABOUT US:

Colonnade Healthcare Solutions is a post-acute care strategy consulting firm that assists clients to create high value positions in integrated care delivery models.

Wyatt Matas is a sister company of Colonnade and a healthcare investment banking firm providing strategic advice on mergers and acquisitions and capital raising initiatives. We are advisors in the truest sense to healthcare executives, entrepreneurs, board of directors and investors.



COLONNADE Healthcare Solutions

Integrated, Value-based Post-Acute Strategies

BUSINESS DESCRIPTION

Colonnade Healthcare Solutions is a post-acute care strategy consulting firm that assists clients to create high value positions in integrated care delivery models.

As industry thought-leaders, we have been on the forefront in developing and implementing integrated post-acute care business strategies and care coordination models for healthcare systems, home healthcare agencies, physician practices and managed care organizations.

Our strategic and operational experience in a variety of healthcare settings enables us to thoroughly evaluate a client's capabilities and opportunities and then to build a strategy to elevate the organization's value proposition. Because of our operational experience and abilities to build consensus among an organization's constituents, we assist in the implementation of the strategies we helped developed.

VALUE PROPOSITION

We provide a methodology and process to evaluate a company's current position in the value chain and assist in developing integrated post-acute care strategies. The result: enhanced value position as a post-acute solutions provider and improved quality, clinical and financial outcomes.

Our experienced-based program knowledge and understanding of the new healthcare environment enables Colonnade to develop "shared-savings" models that assist organizations in aligning the interest of the payers, providers and patients.

THE COLONNADE DIFFERENCE

We help solve the problem of disjointed programs that produce inefficiencies and increase the cost of care. We differentiate our approach with clients by developing business models that integrate post-acute care programs into the fabric of integrated care delivery systems. This is crucial to build true care coordination hubs outside the walls of hospitals and effectively implement the plan of care post-discharge. By building consensus and collaboration across program and business lines, the execution of the strategic initiatives can be expertly implemented.

Unique to Colonnade is our deep relationships across the spectrum of healthcare. We leverage these relationships on behalf of our clients to identify strategic partnerships that can accelerate the strategic initiatives of all parties.