

FARRAGUT SQUARE GROUP

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Five Takeaways from Farragut's Webinar on the Outlook for Home Health, Hospice, Home Care, HME and Home Medical Supplies

As the home health, hospice, home care, home medical equipment and home medical supplies sectors continue to attract investor interest as some of the lowest-cost sites of care for post-acute services, Farragut hosted a webinar on March 14th to review the current state and outlook for these markets.

The discussion featured the following industry leaders and advisors: Larry Nabb, CEO, Jet Health (HH, Hospice, PCS); Gayle Devin, CEO, Home Care Delivered (Home Medical Supplies); Michael Weber, Managing Director, Healthcare Investment Banking, Kroll; and Hope Amsterdam, Lead Post-Acute Care Analyst, Farragut Square Group.

Below are five key takeaways from the webinar.

1. M&A is expected to ramp up strongly throughout the remainder of 2025, driven by growing demand for home-based services and products, attractive growth opportunities and ongoing operational efficiencies that providers have been focused. Buyers will be particularly interest in high-quality, platform assets.
2. While labor shortages continue to challenge home-based nursing and care providers, the HME and Home Medical Supplies sectors benefit from fewer workforce constraints.
3. The post-acute healthcare sector is poised for significant growth and consolidation, driven by sector fragmentation, tech integration, strategic partnerships, and acquisitions.
4. In conducting their due diligence, investors should continue to focus on core fundamentals, including compliance, quality of service, IT investments, day-to-day operating fundamentals, and navigating regulatory challenges.
5. Valuation drivers include organic growth, reimbursement, shifts in patient care, and core business fundamentals to ensure growth and high valuations.



Further Discussion:

1. M&A is expected to ramp up strongly throughout the remainder of 2025, driven by growing demand for home-based services and products, attractive growth opportunities and ongoing operational efficiencies that providers have been focused. Buyers will be particularly interest in high-quality, platform assets.

M&A activity in home health, hospice, personal care services, HME and home medical supplies is expected to ramp up significantly throughout 2025, driven by a large number of increasingly sizable PE-backed platforms and strategic players, increasing demand for home-based services and products, operational efficiencies and opportunities across payer relationships, acquisitions and technology infrastructure. Thus, while some reimbursement uncertainties have led to some uncertainty in certain sectors for some buyers, high-quality assets continue to attract strong buyer interest.

Deal flow had been moderate over the past ~18 months; however, Farragut and Kroll anticipate an increase in transaction volume, particularly in hospice, pediatric home health, HME and home medical supplies. For investors, the market presents a generally favorable landscape for both platform and add-on acquisitions. Industry leaders and advisors expect larger deals of larger providers —ranging from \$30M to \$200M in EBITDA—to emerge further, potentially signaling opportunities for investment in very scaled providers.

Looking ahead, while a sudden surge in deal volume is unlikely, [very meaningful transaction activity is expected](#), driven by industry consolidation opportunities and the need for scale in increasingly competitive home nursing and home care-based markets and in HME and home medical supplies provider segments

2. While labor shortages continue to challenge home-based nursing and care providers, the HME and Home Medical Supplies sectors benefit from fewer workforce constraints.

Labor shortages remain a defining challenge for home-based care providers, particularly in home health, hospice, and personal care services. The ongoing caregiver shortage, rising wage pressures, and competition among providers and PE-backed platforms have intensified recruitment and retention efforts. In response, industry leaders are investing in talent acquisition by offering enhanced referral bonuses, sign-on incentives, and expanded benefits packages to attract and retain quality caregivers. To further address these challenges, organizations are implementing structured pay scales, performance-based incentives, and long-term retention strategies, including stock options and equity grants. In contrast, the HME/DME sector faces fewer labor constraints because staffing demands are



less clinician dependent. Instead, the sector is prioritizing operational efficiency through automation and resource allocation to sustain growth and profitability.

Despite these challenges, [labor-focused investments present significant opportunities](#). Providers that successfully implement workforce development initiatives and integrate technology to enhance caregiver efficiency will be better positioned to meet the rising demand for home-based care and remain competitive in a constrained labor market.

3. The post-acute healthcare sector is poised for significant growth and consolidation, driven by sector fragmentation, tech integration, strategic partnerships, and acquisitions.

The interest in platform acquisitions is driven by quality of assets entering the market, particularly those that have bolstered operational efficiencies, implemented best practices, developed meaningful payer relationships, integrated acquisitions, and made IT and data analytics investments.

- **Tech Integration:** Significant opportunities for organic growth through technology integration, including automation and AI. These technologies enhance efficiency and care quality by allowing clinicians to see more patients while reducing administrative burdens. Additionally, technology improves quality assessment and reimbursement processes.
- **Partnerships:** Establishing partnerships with risk-bearing entities, like physician groups and MCOs, is crucial for growth. These partnerships involve official joint ventures, moving beyond informal relationships to align incentives and improve client engagement.

Overall, the post-acute healthcare sector is poised for consolidation and growth, through both organic expansion and strategic acquisitions, driven by improved operational efficiencies and strategic partnerships.

4. In conducting their due diligence, investors should continue to focus on core fundamentals, including compliance, quality of service, IT investments, day-to-day operating fundamentals, and navigating regulatory challenges.

When conducting due diligence in the post-acute healthcare sector, investors should focus on several key areas. Compliance and quality are crucial, with an emphasis on internal compliance programs that educate staff and stakeholders on regulatory requirements. Investors must also assess core business fundamentals, including quality of service, KPIs, staffing, and retention, as these are critical to growth and cash flow. Additionally, investors should consider regulatory and administrative burdens, such as



large-scale audits, which can be mitigated through thorough chart reviews. A management team's ability to navigate these challenges and drive growth is also essential.

Partnerships with risk-bearing entities, such as physician groups and MCOs, can provide strategic advantages, particularly when formalized through joint ventures. Overall, a comprehensive due diligence process should account for these factors to ensure a successful investment.

5. Valuation drivers include organic growth, reimbursement, shifts in patient care, and core business fundamentals to ensure growth and high valuations.

In the post-acute healthcare sector, strategic and valuation drivers vary by segment. [For Home Health and Hospice](#), stable Medicare reimbursement supports hospice valuations, while home health faces challenges due to some continuing reimbursement uncertainties. The recent pause in the Special Focus Program has temporarily reduced oversight, providing a short-term tailwind for hospices.

[In HME/Home Medical Supplies](#), an aging population and technological advancements drive demand for specialized equipment and supplies to manage chronic conditions. This sector benefits from a stable reimbursement environment and a growing need for long-term, recurring medical supplies.

Across all segments, valuation drivers center on core business fundamentals, as previously noted. To drive growth and maintain high valuations, companies must execute on strategic initiatives, including leveraging technology to enhance operational efficiency and forming partnerships to navigate complex regulatory environments effectively. This strategic approach is essential for attracting strong buyer interest and achieving sustainable growth.

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