



Q1-2014 HOME HEALTH AND HOPSICE INDUSTRY UPDATE

Market Update

The first quarter of 2014 proved to be another active three months for home healthcare agency consolidation. While there was a surge in activity towards the end of 2013 from the publicly traded companies, this quarter proved to be unique as many of the deals were completed by non-publicly traded players. We expect the home healthcare sector will continue to see consolidation as 2014 continues.

While there were fewer sizable transactions completed in the first quarter within the hospice services sector, consolidation continued as providers made strategic add-on acquisitions. Most notably, Hospice Advantage, LLC, a portfolio company of Sentinel Capital Partners, announced the merger of its Birmingham location with Life Care Hospice of Gardendale, LLC, which further builds on Hospice Advantage's presence in the CON state, as well as its national network of hospice locations. Overall, we expect an uptick in similar strategic consolidation due to a few overarching factors. Primarily, continued scrutiny from the OIG and heightened future regulatory provisions are forcing small to mid-sized hospices to consider strategic partnerships as it becomes too costly to continue operations. In addition, as the Affordable Care Act drives the emergence of Accountable Care Organizations, further consolidation in both the home health and hospice services markets is anticipated as organizations consider partnerships, joint ventures models and diversification initiatives.

SELECT HOME HEALTH CARE TRANSACTIONS

Month	Acquirer	Target Company	Details
March 2014	Black Stone of Cincinnati, LLC	Nursing Resources Corp.	Black Stone of Cincinnati, LLC has acquired Nursing Resources Corp., a provider skilled nursing and therapy as well as home-care aides to more than 450 low-income residents of Northwest Ohio. The acquisition enhances Black Stone's ability to accommodate Ohio's move to managed care for low-income seniors enrolled in both Medicaid and Medicare. Financial terms of the transaction were not disclosed.
March 2014	Signature HealthCARE, LLC	ConfiCare Home Health Solutions	Signature HealthCARE, LLC has purchased ConfiCare Home Health Solutions, a Florida-based provider of home health services. The financial terms of the deal were not disclosed. Signature HealthCARE has rebranded ConfiCare as Signature HomeNow, which now allows Signature to provide home health care services. Terms of the deal were not disclosed.
February 2014	AxelaCare Health Solutions	ARC Infusion Corp. Inc.	AxelaCare Health Solutions has acquired ARC Infusion Corp. Inc. Arc Infusion is a provider of home infusion service to patients in Los Angeles, Orange County, and the Inland Empire. Through this acquisition, the total number of AxelaCare pharmacies is now equal to 15. The specific terms of the deal were not disclosed.
January 2014	Univita Health, Inc.; SCL Health System, Inc.	All Care Home Health LLC	All Care Home Health has been acquired by SCL Health System and its joint venture partner Univita Health, Inc. All Care Home Health is a home healthcare company that provides skilled nursing, physical therapy, occupational therapy and social work services in metro Denver. This acquisition helps SCL expand its healthcare services to consumers with customized care in the home. Terms of the transaction were not disclosed.
January 2014	Warburg Pincus, LLC	Complex Care Solutions, Inc.	Warburg Pincus, LLC has invested \$40 million into ComplexCare Solutions, Inc. ComplexCare management will maintain an ownership stake in the business moving forward. ComplexCare, headquartered in New York, provides outsourced risk assessment and care management services for members of plans such as Medicare Advantage, Managed Long Term Care, and Medicaid, as well as other commercial payor groups. With the transaction, ComplexCare will gain financial and strategic resources to increase its market share in a \$1 billion risk/care management market that is expected to double over the next five years.
January 2014	Centene Corporation	Visiting Physicians Association	Centene Corporation announced it has signed into a definitive agreement to acquire a 68% stake in U.S. Medical Management in a \$200 million deal. The transaction will be funded by a combination of one-third cash and two-thirds Centene stock. US Medical Management provides physician house-call services through 39 offices in 11 states. The Company provides in excess of 400,000 physician house calls per year. With the transaction, Centene continues its strategy of broadening the continuum of services for its members and anticipates significant medical cost savings as it plans to deploy physician house call services for its higher acuity patients across the country.

SELECT HOSPICE SERVICES TRANSACTIONS

Month	Acquirer	Target Company	Details
February 2014	Hospice Advantage, LLC	Life Care Hospice of Gardendale, LLC	Hospice Advantage, LLC, announced the merger of its Birmingham location with Life Care Hospice of Gardendale. Backed by private equity firm Sentinel Capital Partners, Hospice Advantage has grown to include over 60 locations throughout the nation. Provident Healthcare Partners acted as exclusive financial advisor to Hospice Advantage in its recapitalization with Sentinel Capital in December of 2012. The recent merger will further increase Hospice Advantage's footprint in the Alabama market.