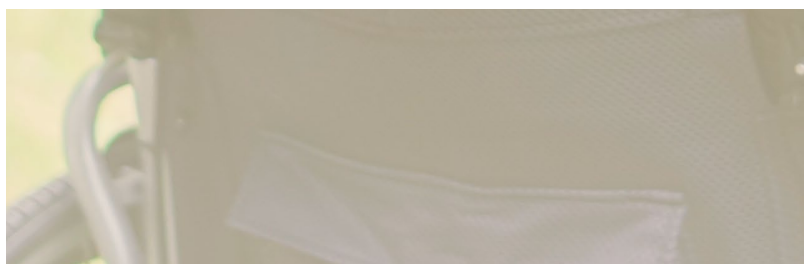


Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients



Lincoln's Healthcare Group outlines the effects of COVID-19, with a focus on the medium and long-term outlook for home health service and product sectors:

Medical and Personal Services:

- Skilled Home Healthcare
- Personal Home Care
- Pediatric Home Health
- Physician Housecall
- Home-Based Hospice

Equipment, Product and Technology Services:

- Home-based Telehealth
- Home Care Products E-Commerce
- Direct-to-Patient Home Medical Supplies
- Home Respiratory and HME
- Mobility and Home Modifications Products
- Home Infusion
- Specialized Pharmacy

Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients

Skilled Home Healthcare

Near term: REASONABLY STABLE / POSITIVE

Long term: POSITIVE / UPSIDE

Drivers/Factors:

- Amidst COVID-19, some, presumably temporary operational/marketing headwinds: e.g., potential for LUPA increases; some visit cancellations by patients, less marketing access to referral sources, fewer elective procedures in hospitals that require home health; some caution or infections among nurse staff
- Some PDGM-related reimbursement and recert pressures being at least partially offset by recently enacted accelerated payments from Medicare
- Industry remains highly fragmented with few players with significant scale; PDGM dynamic likely to result in even more consolidation
- Access to skilled caregivers improving due to reduced demand from hospitals
- Demand remains attractive for home health as a mitigant to inpatient/institutional care options
- Longer term skilled home care demand expected to grow significantly based on demographics, shifting more care towards the home and away from institutional settings; and potential for telehealth flexibility

Personal Home Care

Near term: REASONABLY STABLE / POSITIVE

Long term: MEANINGFUL UPSIDE

Drivers/Factors:

- Amidst COVID-19, some, presumably temporary logistics/marketing/operational headwinds, but on a relative basis, a more stable segment than other (e.g., center-based and physician based) segments
- Personal Home Care acts as a lower-cost complement or alternative to residential senior living, behavioral health and long-term care sectors
- Increasingly attractive patient-directed services generally pairs a patient with a family member to provide care thereby reducing risk of spreading COVID-19
- Federal government recently increased FMAP percentages to support program funding; governors and legislatures relaxing regulations to accommodate new enrollments in home and community-based programs; Medicare Advantage also a growth opportunity
- COVID-19 exposing the risks communicability in institutional settings. Demand for long-term care far exceeds supply of institutional beds

Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients

Pediatric Home Health

Near term: REASONABLY STABLE / POSITIVE

Long term: POSITIVE / UPSIDE

Drivers/Factors:

- Amidst COVID-19, some, presumably temporary logistics/marketing/operational headwinds, but on a relative basis, a more stable segment than many other healthcare sectors
- Potential for further urgency to care for, maintain and monitor medically complex children at home vs. institutional/outpatient care with exposures
- Among the more stable home health segments from a reimbursement/regulatory perspective
- Unique specialty that adult-oriented home health providers tend to struggle with

Physician Housecall

Near term: UPSIDE / POSITIVE

Long term: MEANINGFUL UPSIDE

Drivers/Factors

- Amidst COVID-19, some, presumably temporary logistics/marketing/operational headwinds, but on a relative basis, a more stable segment than many other healthcare sectors
- Significant, recent investments in and around physician-led home health
- Ability to make immediate medical changes and potentially avoid adverse events and emergency institutional visits
- Could be strong in combination with telehealth and home health/home care
- Payers supportive

Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients

Home-Based Hospice

Near term: REASONABLY STABLE / POSITIVE

Long term: POSITIVE / UPSIDE

Drivers/Factors

- No significant, current industry issues to deal with other than marketing/operational headwinds with respect to marketing and providing services (some more issues for SNF-based hospice services)
- Remains an attractive sector with home-based hospice services at a medical and cost advantage vs. institutional end-of-life care
- No change in future growth outlook between organic growth and growth from consolidation
- Ongoing, growing interest in the continuum of care from home health to hospice
- Some role potential for telehealth in combination with hospice as well
- CMS just proposed a 2.6% payment increase for hospice for FY'21, another incremental positive

Home-based Telehealth

Near term: SIGNIFICANT UPSIDE

Long term: SIGNIFICANT UPSIDE

Drivers/Factors:

- Recent, significant legislation supporting reimbursement and implementing favorable regulations
- Payers and hospital systems supportive
- Technology is there and can be implemented
- Improved, regular patient monitoring and oversight of great importance
- Excellent supplement to home health and home care visits
- Opportunity to further reduce re-hospitalizations and adverse events
- Other applications likely to show growth: e.g., PERS adding telehealth capabilities, utilization of telehealth by Medicare Advantage, tele-behavioral health, use within SNFs and ALF; telehealth in Medicaid waiver context, etc.

Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients

Home Care Products E-Commerce

Near term: SIGNIFICANT UPSIDE

Long term: POSITIVE / UPSIDE

Drivers/Factors:

- Increased consumer urgency to have proper, basic medical products and supplies at home
- Potential ongoing reluctance to go to brick and mortar retail to procure these products
- Low cost products relative to perceived medical and assistive benefits
- Consumable supplies easy to secure for prescribed and non-prescribed equipment
- Ease of use and growing e-commerce affinity among population

Direct-to-Patient Home Medical Supplies

Near term: SIGNIFICANT UPSIDE

Long term: POSITIVE / UPSIDE

Drivers/Factors:

- Accelerated patient preference for direct delivery of home medical supplies: convenience, safety, continuity of supply reorders
- Broad increase in telehealth likely to also result in increased telephonic prescriptions, further expanding access to direct-to-patient home medical supplies
- Improved medical outcomes with recurring re-supply complemented by telephonic interactions with patient to educate and guide
- Home medical supply providers will be viewed more positively post COVID-19 and will provide cross-sell opportunities for telemedicine and other in-home services
- Ongoing adoption of home-delivered Continuous Glucose Monitoring & Insulin Pump therapy supplies for Type I diabetics will remain attractive. The Type II market will present extraordinary growth opportunities to service tens of millions of patients in the home.

Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients

Home Respiratory and HME

Near term: POSITIVE / UPSIDE

Long term: MEANINGFUL UPSIDE

Drivers/Factors

- Putting select, current operational dynamics aside, potential for reduction in historical reimbursement and regulatory pressures to ensure patients have access to core, needed medical equipment at home
- Not a nursing-based business; delivery and drop-off of equipment without significant patient interaction
- CMS has removed non-invasive ventilation from Medicare competitive bidding, an added positive
- At a low point in number of providers after years of substantial pressure; potential for upside now
- Relatively low-cost products compared to medical benefit and stabilization of patient at home
- Chronic diseases/long-term medical conditions are best treated at home and typically require assistive, therapeutic and supportive medical equipment and products
- Ongoing technological improvements lowering product cost

Mobility and Home Modification Products

Near term: POSITIVE / UPSIDE

Long term: MEANINGFUL UPSIDE

Drivers/Factors

- Some current, presumably temporary headwinds related to COVID-19 (e.g., in the arena of patient interaction, new patient referrals and clinic or home-based custom work)
- Attractive, long-term demographic and chronic condition trends that favor mobility, custom mobility and home modification products and services; home (and vehicle) modification particularly under-penetrated
- Post-COVID-19, even more considerations around home-based mobility and home-modification solutions (as well as other technologies, like PERS and telehealth) to keep patients assisted and safe within their home environment
- Ongoing technological improvements lowering product cost
- While complex mobility products have solid payer recognition and reimbursement, wheelchair accessible vehicles, van modification and home modifications remain largely private pay segments today

Interim/Post-COVID-19 Sector Outlook

Services & Products for Homebound Patients

Home Infusion

Near term: REASONABLY STABLE / POSITIVE

Long term: POSITIVE/UPSIDE

Drivers/Factors:

- Current, presumably temporary headwinds given COVID-19 (e.g., some reduction in hospital referrals, patient and infusion nurse safety dynamics; fewer elective procedures).
- Chronic infusion really cannot be delayed; some movement of patients from center to home IV
- Long-term upside driven by home health tailwinds and increased patient safety provided in home settings particularly for medically at-risk patients
- Long-term upside supported by new drug pipeline, including infusible specialty drugs

Specialized Pharmacy

Near Term: POSITIVE / UPSIDE

Long Term: MEANINGFUL UPSIDE

Drivers/Factors:

- Continued availability and home delivery of medications for patients with chronic conditions has been a priority during COVID-19 shelter-in-place orders
- Home delivery services and adherence packaging will see increased interest post-COVID-19
- Existing specialty drugs proving to be recession-resistant particularly for homebound patients
- Pharmacies focused on mental health, group homes and other institutional settings will experience continued investment and robust M&A activity

To learn more about Lincoln's Healthcare Group, please visit www.lincolninternational.com/healthcare