

SPECIALTY PHARMACY NEWS

2011 Outlook

Home Infusion 2011 Deals Should Continue Consistency Theme

Although recent merger and acquisition (M&A) activity in the home infusion sector has not been as robust as the action during recent years, it was consistent from 2009 to 2010, and 2011 looks to shape up in a similar fashion.

The home infusion sector, however, has “less going on” than does the specialty pharmacy industry, which boasted renewed interest among buyers through the third quarter of 2010, says Dexter Braff, president of The Braff Group, an investment banking firm specializing in home health sectors (see story, p. 4). His company has identified eight deals through third-quarter 2010 — the same number as in the comparable 2009 period.

These past two years have been down transaction-wise from the 27 and 20 home infusion deals in 2007 and 2008, respectively. 2009 ended with 13 home infusion deals, and 2010 will have probably about 10 to 12 transactions, estimates Braff (see table, below). In addition, the surge of activity occurring a few years ago among

private-equity-sponsored companies within the home infusion sector (*SPN 11/08, p. 3*) died down in 2009 and 2010.

“The theme [in home infusion M&A] is fairly consistent,” Braff says. “It’s a continuation of what we saw last year.... A lot of buyers have consolidated, so there are fewer buyers out there. At the same time, there are fewer sellers.”

Looking to the year ahead, says Braff, “there just aren’t a lot of pure-play IV therapy companies out there.” For that reason, he says, “if you have a pure-play infusion company that’s doing between \$5 million and \$10 million” in revenues for core therapies, “it’ll be sold. There are buyers who want this, and buyers will be all over it.”

“The home infusion space is expected to be very attractive in 2011 for a variety of reasons,” contends Greg Wappett, senior analyst at Provident Healthcare

Annual Breakdown of Health Care Services Merger & Acquisition Activity

Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	1st 9 Mos. 2010
HHA-Certified	—	—	—	—	40	50	73	79	79	48
HHA-Medicaid	—	—	—	—	7	11	18	8	5	8
HHA-Private Duty	—	—	1	—	16	12	20	29	26	20
HHA-Other	22	34	45	59	19	24	8	10	9	4
Total Home Health Arena	22	34	46	59	82	97	119	126	119	80
Hospice	8	15	17	14	16	15	11	19	29	20
IV	14	6	7	11	17	19	27	20	13	8
IV (Platform)	1	—	—	1	—	2	2	—	1	2
IV (Follow on)	—	—	1	—	1	5	11	11	4	3
Specialty Pharmacy	10	14	19	12	17	12	16	15	6	12
Specialty Pharmacy (Platform)	—	—	2	2	—	1	3	2	2	5
Specialty Pharmacy (Follow on)	—	—	2	1	—	1	7	1	1	1
Institutional Pharmacy	—	4	2	4	9	6	17	8	7	5
Durable Medical Equipment	44	69	86	99	99	62	51	39	53	22
Health Care Staffing	11	26	20	37	41	24	23	27	20	16

SOURCE: The Braff Group, December 2010

NOTE: The gray areas highlight private-equity activity within each sector.

Partners. He tells *SPN* that “the sector as a whole is very fragmented and primed for consolidation. We know of multiple private-equity groups scouring the industry for platforms which they can build up through acquisitions similar to AxelaCare Health Solutions, CarePoint Partners and HomeSolutions, and the Walgreens and Aprias of the industry will always be looking for acquisitions to tuck into their current service offerings.”

Still, although Braff says his company “love[s] this space,” he explains that it’s “difficult to build critical mass through consolidation. The pool of prospects is not as wide and deep as we otherwise would have hoped.”

A continuing trend among home infusion providers is creating a specialty-focused offshoot of the company, says Laurie Amirpoor, Pharm.D., staff vice president of clinical program policy at WellPoint, Inc. She also tells *SPN* that the home infusion industry is “moving toward more ambulatory infusion suites.” Physicians, she says, see these as new revenue models with administrative savings and are installing them within their offices.

Alana HealthCare, which provides infusion and durable medical equipment services, is one company looking to grow “through both acquisitions and organic expansion of our infusion therapy centers,” CEO Steven A. Schneider tells *SPN*. “The economy has brought pressure on business valuations, and we have seen opportunities that in the past may not have been on our radar screen.” In addition to buying a handful of companies, Alana has “added two infusion centers in central and west Tennessee, with a third in Knoxville scheduled to open in the second quarter of 2011. We see infusion therapy centers, situated close to our hospital-based and physician-owned clinics, as an engine of growth for the company.”

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