



THE Health Care M&A MONTHLY

INSIDE THE HEALTH CARE M&A MARKET



HOME HEALTH DEALS

Private equity has discovered home health. **Flexpoint Partners, LLC**, based in Chicago, acquired a majority ownership interest in **IntegraCare Home Health**, a provider of home nursing and hospice services in Texas. It serves 2,100 patients through 19 agencies in northern and western Texas. This transaction gives IntegraCare the additional resources to maintain and accelerate its growth trajectory. As part of the deal, the four founding owners, who are to continue in management roles with IntegraCare, will retain an equity interest in the business.

We spoke with the President, the private equity partner and the broker for their takes. According to Chris Gerard, President of IntegraCare, the company will use its new resources for expansion. Though the company currently serves rural Texas, it will seek to expand into urban markets as well, and eventually become a regional provider by growing into Oklahoma, New Mexico and Arkansas, through acquisitions. IntegraCare has an efficient model of managing multiple locations in which IT installations play a central role. Mr. Gerard believes this model is readily scalable, and with good reason: patient census has doubled in size since 2004. Ethan Budin, a partner at Flexpoint Partners, sees in IntegraCare a strong business plan that meets the desire of payors, including Medicare and Medicaid, to keep patients in their homes rather than place them in acute-care or outpatient settings. IntegraCare can easily move into an underserved rural market, establish a presence there, then network with other service locations. To assist in IntegraCare's growth, Flexpoint is prepared to help the company look for acquisitions in the Southwest.

"It's a private equity world out there for home health," noted Dexter Braff of **The Braff Group**, the broker for this deal. Apparently, all but one of the five bidders in the last round were private equity groups. That surprised us because PEGs have not traditionally

shown a great deal of interest in the home health industry. Mr. Braff remarked that he thought private equity was a little bit late to the game. While the dynamics that PEGs now find attractive have been in place since 2002-2003, private equity didn't get into the market until 2004-2005. One reason, he suggests, is that it was distracted by the higher values of the pure-play hospice providers at a time when they were going public so home health was ignored. But no more.

Walgreens Home Care, a unit of drugstore giant **Walgreen** (NYSE: WAG), is paying \$850.0 million for **Option Care** (NASDAQ: OPTN), which provides specialty pharmacy services and home infusion pharmacy services. Under terms of the deal, WAG will pay \$19.50 per share in cash and assume certain OPTN debt. OPTN provides its services from a network of 100 pharmacies (including 64 that are company-owned) in 34 states; those services are used by 40,000 patients with acute or chronic conditions. This deal, valued at 1.2x revenue and 17.7x EBITDA, helps establish WAG as a national player in the specialty pharmacy and home infusion markets.

The Health Care M&A Monthly

ISSN#: 1091-9716

Published Monthly by:

Irving Levin Associates, Inc.
268-1/2 Main Avenue
Norwalk, CT 06851

Publisher: Eleanor B. Meredith
Managing Editor: Stephen M. Monroe
Editor: Sanford B. Steever

Annual Subscription Rate: \$2,147.00
Call 1-800-248-1668 or visit www.healthcaremanda.com
(Includes 50 Weekly Email Bulletins,
Four Quarterly Supplements And Special Database Access)

© Copyright 2007 Irving Levin Associates, Inc.
All rights reserved. Reprinted with permission.