

TBG Home Health and Hospice Index Surges 16.4% Against a 15.6% Decline in the Broad Markets

Once again, the TBG Home Health and Hospice Index is showing signs of running counter cyclical to the broad markets.

Much like during the recessionary period following the bursting of the dot com bubble from 2000-2001, when The Braff Group Home Health and Hospice Index steadily rose as the broad markets were in near free fall, we may be seeing a similar pattern emerge in 2008.

This time around though, the reasons are different.

In the first post-recessionary period which was brought about, in part, by the collapse of the technology sector, investors fled, en masse, to seemingly far less risky, more predictable safe havens such as health care. During this period, virtually all of the health care service sectors that we track surged, as the TBG Health Care Service Composite Index ended 2001 up 98%, while the broad markets were down 25%.

But in this recessionary period, the underlying root cause – the credit crisis – and its resultant impact on employment, consumer purchasing, new growth initiatives, and more, has left few market areas unscathed, with home health, perhaps, one of the few exceptions. As such, amidst an extraordinary downturn in the public markets over the past few months, the TBG Home Health and Hospice Index has surged to a new record high of 1,167.2 at the very same time that virtually all of the other health care service sectors that we track – hospitals, long term care, home medical equipment, health care staffing, eHealth, and infusion therapy and specialty pharmacy – are at or approaching some of their lowest levels ever.

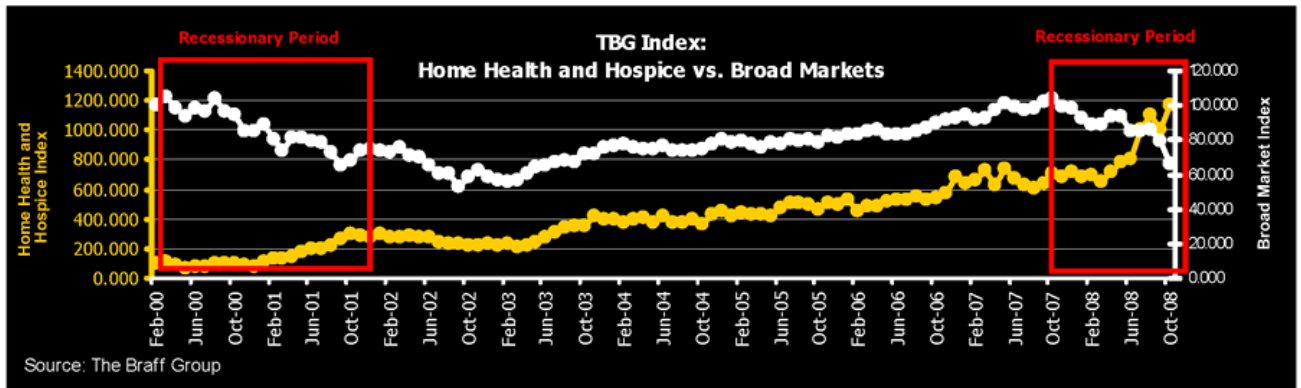
Here's why.

Home Health and Hospice expenditures are non-discretionary and government funded. Unlike, for example, hospitals and private duty home care, which are beginning to report slow-downs in new admissions for discretionary services that are often paid for, in large part, directly by consumers, home health and hospice services are “inelastic” in demand, and with government funding, are largely insulated from downturns in the economy – and consumer spending. Furthermore, with a low likelihood of any Medicare legislation being passed before the end of the year, with a scheduled home health update slated for 2009, the near term reimbursement outlook looks reasonably stable.

Home Health and Hospice generally do not rely heavily on credit to fund day-to-day operations. Again, unlike asset intensive, bricks and mortar businesses such as hospitals and even long term care, home health and hospice providers generally need to fund little more than accounts receivable on their balance sheets. And, with Medicare turning clean claims around quickly, few providers rely on credit to fund day-to-day operations. Furthermore, with limited asset requirements, expansion can generally be funded by operating cash flow. As such, from a financing standpoint, home health and hospice providers have substantially less exposure to problems other industries are facing in the face of a credit freeze.

It should come as no surprise then, that given the above, while other industries are faltering, many of the public providers making up The Braff Group Home Health and Hospice Index, reported favorable revenue and earnings growth, leading to an October spike of 16.4%, while the broad markets fell 15.6%.

As the challenges of the current recessionary period play out, we should not be surprised to see even greater investment interest in home health and hospice – a development that could lead to another long rise in stock values.



For more information on how these trends may affect you in terms of your near and long term strategic planning, please contact The Braff Group at 888-922-5169 or visit our web site at www.thebraffgroup.com