Americans for Financial Reform Education Fund

Private Equity's Giant Imprint on Home and Community Based Services

Over the past two decades, private equity firms have been very active in the Home and Community Based Services (HCBS) sector, purchasing and consolidating hundreds of for- and nonprofit entities into three dozen flagship brands. Millions of older people and people with disabilities receive supports, services, and health care in home and community based settings that are critical to their well-being and independence. Today, several of these private equity-owned firms are among the largest HCBS chains in the US (Table 1).

Table 1. Private Equity Owns Several of the Largest HCBS Chains

Brand	Services	Private Equity Involvement	Size*	Geography
Help at Home	Home care Home health	**Wellspring Capital Management** 2010- present (now minority share) **The Vistria Group, Centerbridge Partners** 2020 - present	57,000 workers, 70,000 clients	180 locations in 11 states
Accentcare	Home health Home care	**Oak Hill Capital Partners** 2010 - 2019 **Advent International Corp.** 2019 - present	30,000 workers, 200,000 clients	250 locations in 31 states, DC
Aveanna Healthcare	Home health Hospice Medical supplies	**Bain Capital** and **J. H. Whitney Capital Partners** 2017 - present *Controlled publicly-traded (where these PE firms own nearly 70% of all shares)*	30,000 workers 40,000 clients	265 locations in 33 states
Interim Healthcare	Home care Home health	Franchise Five separate private equity leveraged buyouts since 1997 → **Wellspring Capital Management** 2021 - present	43,000 workers, 190,000 clients	300 franchises in 44 states
Elara Caring, Inc.	Home health	**Angelo, Gordon & Co.** and	26,000 workers,	200+ locations

	Home care Hospice Behavioral health	Eureka Capital Partners 2007 - 2016 **Blue Wolf Capital Partners and Kelso & Company** 2016 - present	60,000 clients	in 18 states

Note: Grey text indicates prior ownership.

**It can be difficult to compare different firms in the home health and home care sectors, since they cover a wide range of services and have multiple revenue streams.. Brands that have a greater share of short-term post acute home health may see more patients per year than those companies that have a greater percentage of their work in home care.*

These HCBS companies' footprint rank second behind the consolidated chains owned by large private Medicare ("Medicare Advantage") insurers like Humana (with the brand Centerwell Home Health) and Optum/UnitedHealth (with its takeover of LHC Group). Private equity firms and public healthcare chains buy and sell these HCBS companies like trading baseball cards. Even when private equity firms do not take complete control, they often participate or facilitate these multi-billion dollar purchases in the industry, driving the resulting market consolidation.[1]

In 2018, Humana purchased the hospital and healthcare chain Kindred Healthcare alongside private equity firms Welsh, Carson, Anderson and Stowe (WCAS) and TPG Capital (TPG). After that purchase the home health, hospice, and community portions of Kindred became Kindred at Home, with WCAS and TPG controlling 60 percent and Humana 40 percent; and the physical facilities (long term acute care hospitals and rehab sites) were entirely bought by the two private equity firms. Then, in 2021, Humana bought out TPG and WCAS to wholly own Kindred at Home, incorporating it into its Centerwell brand, only to spin off the home care and hospice portions of Kindred at Home to yet another private equity firm, Clayton, Dubilier & Rice (CD&R), in a 2022 leveraged buyout. In that last transaction, Humana kept a 40% minority share in the newly resurrected Gentiva Health Services while CD&R took majority control (Kindred had previously retired the brand after a 2015 acquisition).

Private equity has also been involved with two of the largest publicly traded home health firms that are not affiliated with health insurers, Amedisys, Inc. and Enhabit Home Health and Hospice. Amedisys, which has 511 locations and sees 465,000 clients per year, has been publicly traded since the 1990s. In 2014, private equity giant Kohlberg, Kravis and Roberts (KKR) owned over 14 percent of Amedisys' shares as an activist investor, and had secured a board seat for itself, which it retained until 2019. Enhabit Home Health and Hospice serves over 200,000 clients annually and has also traveled a twisted private equity road before becoming an independent public company in 2022. It was formed in 1998

[1] To give a sense of comparative size of these insurance-owned entities, Optum-owned LHC group has 527 locations and 500,000 clients in its predominantly home health business, while Centerwell, owned by Humana, serves 350,000 clients per year through 360 locations.

and was independent until private equity firms Apax Partners and Saunders, Karp and Mergure snapped it up in a leveraged buyout in 2004. Three years later, these owners sold Enhabit to Thoma Cressey Bravo, yet another private equity firm. In 2015, Enhabit company was merged into the publicly traded HealthSouth (now Encompass), which spun the home health and hospice segment off into its own firm in 2022 under the old name Enhabit Home Health and Hospice.

These complex, swirling transactions are characteristic of private equity investment. Private equity is also poised to play a critical role as a ready buyer in another giant, pending transaction. VitalCaring (owned by private equity firms Vistria Group and Nautic Partners) is set to buy some home health locations that the prospective merging firms Amedisys and Optum are divesting in an attempt to make one of the largest ever contemplated HCBS mergers more palatable to antitrust regulators. The merger is currently being investigated by the Department of Justice, amidst strong congressional scrutiny.

Earlier, the Federal Trade Commission's scrutiny of private-equity controlled Aveanna Healthcare's proposed $1.25 billion purchase of Maxim Healthcare scuttled the transaction when both parties walked away. Had the FTC approved the merger, it would have made Aveanna one of the largest home health providers in the country.

Disability Care and Community Based Elder Care

Some of the private equity owned chains specialize in services for those with physical, intellectual, and developmental disabilities, which can span home and community settings. The largest of these specialized firms is Brightspring Health Services, which is a publicly-traded firm controlled by private equity behemoth Kohlberg, Kravis, and Roberts (KKR). Brightspring and KKR were the subject of a Senate inquiry when a 2022 *Buzzfeed News* investigation documented multiple instances of abuse and neglect of clients with disabilities in Brightspring's residential group homes after KKR's takeover. Another smaller portion of the community-based service sector, adult day centers, remains primarily non-profit, though the largest adult day centerchain, Active Day, is owned by private equity (Table 2.)

Table 2. Sample of Private Equity Community Based Service Providers

Brand	Private Equity Involvement	Size	Geography
Brightspring Health Services Behavioral health, home care, home	3 leveraged buyouts since 2010 **KKR** 2019 - present *Publicly traded controlled; previously partnered with*	35,000 workers (FTE) 34,000 clients	9,500 locations (including pharmacy) 50 states

health, hospice, pharmacy	*Walgreens Boots Co.*		
Sevita	One previous leveraged buyout **Ascension Ventures, Centerbridge Partners,** and **Vistria Group** 2019 - present	45,000 employees 55,000 clients	555 locations in 40 states
Active Day, Inc. Adult day care, home care, I/DD care	**Clearview Capital Partners** 2010 - 2015 **Audax Private Equity** 2015 - present	8,000 clients	100 locations in 10 states

Why Private Equity Has Growing Interest in Care

Highly fragmented market

Private equity firms have been pursuing serial merger-and-acquisition strategies for years to roll-up smaller HCBS firms into larger companies that can be resold at much higher price. Firms pay a high price for a first "platform" company in a sector, then "bolt-on" many subsequent purchases of smaller firms, "rolling up" these acquisitions into a larger company that can then be sold at a significant size premium without necessarily making operational improvements to get a higher valuation. Private equity firms are rapidly consolidating the hugely fragmented landscape of over 11,000 home health providers. No single firm has greater than five percent market share, but the largest firms combined likely control over 20 percent of the national market, and more than half of local markets have become highly concentrated, due in no small part to private equity-driven consolidation.

Low-wage and informal sector

Private equity has often focused on sectors where occupational segregation has pushed women of color into low-wage jobs with low unionization rates, such as retail. Care work is even more precarious as women of color and especially Black and undocumented women are often placed in informal work arrangements within the sector, denying them basic worker rights. Eight-six percent of direct care workers are women, 53 percent are women of color, and 40 percent are immigrants. The average wage for direct care workers is $15.60 per hour, the fifth lowest among all occupational groups. These kinds of labor market conditions can make it easier for firms to keep their operational costs low as they seek to extract as much profit as possible from their acquisitions. At the same time, chains are now forced to pay higher wages to make up for the current worker shortage.

Moving the locus of care

Starting in 1981, after a hard-fought victory by disability justice advocates to move individuals out of institutional facilities, the Medicaid Home and Community-Based Services Waiver Program created the first public funding stream for these services. The Supreme Court's 1999 *Olmsted* decision established that under the Americans with Disabilities Act, people with disabilities have the right to receive services in the least restrictive setting that the individual desires (and treatment professionals agree is appropriate). On the elder care side, a trend of increased in-home care was accelerated by the COVID-19 pandemic, when nursing homes had a high mortality rate, killing over 170,000 residents. The total number of U.S. nursing home residents dropped 12 percent between 2015 and 2023.

Growth in the aging population is guaranteed demand

In 2022, 57.8 million people were aged 65 or older, 17 percent of the population. By 2040, this will grow to 78.3 million, or 22 percent of pop. Fifty-six percent of people turning 65 between 2021 and 2025 will have a significant need for long term services and supports in their lifetime. Demand for direct care workers is projected to grow 41% from 2021 to 2036.

Seismic shifts

Until 1980, only non-profit home health agencies were eligible for payment through Medicare. Once these restrictions were lifted, the industry rapidly shifted, and by 2020, 83.5 percent of home health agencies were for-profit. This major change in for-profit eligibility helped set the stage for the rapid influx of private equity. Insurers and HMOs pushed to move Medicare enrollees from traditional fee-for-service coverage into privatized Medicare Advantage plans. Medicare pays these plans a fixed amount per enrollee (or capitated payment) that created a steady revenue stream private equity firms coveted. This spurred the private equity industry's entry into healthcare where it could game payments for a quick profit.

Guaranteed revenue stream of public dollars

Home health expenditures are expected to double in the next 10 years, from $132.9 billion ($402 per capita) in 2022 to $282.7 billion ($805 per capita) in 2032. Medicare and Medicaid pay about 70 percent of this (in a roughly even split). Private equity firms like these steady and guaranteed payments, which can help them pay down interest on their debt-financed takeovers.

Exhausting other options

The private equity model is built on short-term investment horizons and a large volume of transactions, which means it needs to move into new sectors all the time. Private equity has already torn through the adjacent nursing home sector, which featured some of these same characteristics as

the HCBS sector, and followed a similar arc of local non-profits providing these much needed services being swallowed by consolidated, financialized chains. Much of this shift was driven by private equity takeovers, and the sector is now in the throes of a series of bankruptcies, leaving investment firms to look elsewhere for their next high profit opportunities.

A Threat to Patients and Families

Private equity's HCBS footprint is of particular concern due to the risk inherent in the business model, which is, as one study put it, "fundamentally incompatible with sound healthcare that services patients."

Private equity firms put virtually none of their own capital—as little as one to two percent— into the private equity funds that purchase companies like HCBC providers (the rest is institutional investors like endowments and pensions). The private equity firms get 20 percent of the profits (above a six to eight percent threshold) from flipping the companies they take over to the next buyer (known as the two-and-twenty model). This creates a powerful incentive to make as much profit as quickly as possible. Cost-cutting measures are a much faster way to increase profits than the more steady work of increasing revenues through investment and improving services. In a healthcare setting, a propensity for speedy cost cutting measures can mean the difference between life and death.

Private equity takeovers of companies are usually financed by a high degree of debt—between 60 and 80 percent of the purchase price—which becomes the responsibility of the purchased company (in this case, the home care or home health agency) to pay back through high monthly interest payments. At the same time, the HCBS entity will also have to pay annual monitoring fees back to the parent private equity firm. In just one example, under Bain Capital and J.H. Whitney's control of Aveanna Healthcare, these annual retainer fees came to three million dollars per year, subject to increase with any valuation change due to subsequent acquisitions. On top of the periodic fee, the private equity firms also charged an episodic fee for every subsequent merger transaction amounting to one percent of the purchase price, and were also entitled to an additional lump sum fee of five times the standing annual retainer fee in the event of an initial public offering. These fees add up quickly.

In addition to the heavy debt burden and fees tied to the initial private equity takeover, the dangers to the finances of the HCBS provider can be further compounded when private equity firms take out more loans to fund further acquisitions or to pay themselves dividends, which often happens. All these complex financial layers can often lead to one simple result: bankruptcy. When home health and hospice chain Charter Home Health, owned by private equity firm Pharos Capital Group since 2018, filed for bankruptcy in March 2024, it declared that it had $37.7 million in liabilities compared to $5.3 million in revenue in 2023 (down 50 percent year over year since 2021). Patients and families faced

sudden closures. The risk of financial contagion is high as more and more parts of our critical HCBS infrastructure come into contact with this financial extraction.

Policy Solutions for True Community Based Services

Advocates for older adults and people with disabilities have fought long and hard for a set of care services that genuinely meet peoples' needs while allowing them to continue living independently. It is imperative that patients, families and caregivers, advocates and organizers, Medicaid and Medicare administrators and policymakers join forces to understand the threat that private equity control of critical care infrastructure may pose to a just and equitable care system and develop policy responses to address it. There is a suite of tools, ranging from long standing health planning practices to renewed vigor in antitrust enforcement to home care quality standards boards (made up of clients, workers, and providers) that can help dramatically increase the likelihood that when advocates secure much needed additional resources for HCBS, those resources—mostly public dollars—stay within communities instead of evaporating into extraordinary profits for a tiny handful of Wall Street executives. See Table 3 for a sample of these policy tools at the state and federal levels.

Table 3. State and Federal HCBS Policy Tools

	State	Federal
Doing Business	Certificate of Need Licensure Corporate Practice of Medicine laws	Provider enrollment
Transactions	Antitrust enforcement Material transaction review Cost and Market Impact review Ownership transparency	Antitrust enforcement Ownership transparency

	State	Federal
Prices and Revenue	Medicaid rate setting	Medicaid match rates Medicare fee-for-service rates Objective patient function measure Anti-fraud, anti-kickback and Stark laws
Workforce Adequacy and Stability	Medicaid wage pass-through laws for rate increases Direct care worker minimum wage or prevailing wage laws Home care wage standards boards	Access rule requiring 80% total compensation pass through to workers
Quality and responsive care	Violation and quality record across chains Inspection funding	Violation and quality record across chains Medicare and Medicaid exclusions list