



# Healthcare Hot Topics

HMS / RT / HME & Consumer Medical Products

Home Modification & Accessibility Products

Complex Rehab & Custom Mobility

Second Quarter 2024





## Sectors Covered by This Report:

- Reminder that Kroll's Healthcare Investment Banking Group and this report cover the following segments of the product and supplies segments (providers, suppliers and manufacturers) of home health and community-based services:
  - **Home Respiratory (Including Home Ventilator)**
  - **Ambulatory and Home Medical Equipment**
  - **Complex Rehab/Custom Mobility**
  - **Pediatric RT/HME**
  - **Capitated RT/HME**
  - **Hospice and SNF RT/HME**
  - **Consumable Home Medical Supplies**
  - **Diabetic and Wellness Footwear**
  - **Compression and Lymphedema**
  - **Rehab, Orthopedic and Post-Surgical At-Home Products**



(Note that we issue a separate Hot Topic report on labor-based home health and community-based services, including home healthcare, hospice, home care and pediatric home health.)



# Kroll's View of M&A and Industry Activity

- **RT/HME:** M&A activity in this segment continues to notch up, as evidenced by numerous recent transactions and targets in the market
  - While Medicare Competitive Bidding (still on hold until at least next year) should continue to be monitored, both organic and acquisition growth opportunities remain a focus for service providers in this service category
  - RT/HME manufacturing and supplies companies, which are “one step removed” from payers and payer billing, should also be reviewed and evaluated under the same heading
- **Hospice and SNF HME:** This is a unique subsegment of RT/HME delivery focused on high service, speedy and efficient logistics provided on a sub-contracted basis for hospice and SNF labor-based service providers
  - M&A activity has been very solid in this segment and will likely go up further, particularly in hospice HME – as hospice providers consolidate, so will the hospice HME providers looking to provide standardized and high-quality service levels to increasingly larger (but also smaller) hospice providers
- **Complex Rehab:** Reimbursement/coding-related announcements for certain parts of complex rehab services have been incremental positives for this sector
  - There is meaningful M&A activity on the manufacturing side of this product/service category. However, there has been less M&A on the provider side, particularly by the top 2 providers. There are several regional providers that are more active in M&A and are competing well against the 2 large players in this area, and several are likely to be acquired over time.



## Complex Rehab

- **Eased wheelchair policy for manual wheelchairs.** DME's MACs have announced they will allow indirect home assessments (e.g., phone calls) for manual wheelchairs (vs. Medicare's historical requirement for in-person assessments). This policy will also ease situations in which replacement parts are unavailable (such as in cases where the manufacturer is no longer in business) and where ordering a replacement wheelchair is the only option





## RT/HME

- **Medtrade and other conferences and events.** As investors are taking a look again at the overall home-based medical products and supplies space, a reminder on a few sample of conferences and events:
  - **One of the bellwether events:** Medtrade. The next one is scheduled for February 18-20. Attendees include providers, distributors, manufacturers and other RT/HME/complex rehab and home medical supplies-active companies and executives
  - **HME News Business Summit:** Scheduled for Oct 21-23, 2024
  - **Newer conference:** HMEB FUTURE Conference. This first-time HME Business conference on August 22 will be in parallel with the home health/hospice/home care FUTURE conference sponsored by Home Health Care News. A chance to get broad-spectrum views and to have discussions with industry participants across labor-based home health-hospice-home care as well as across home health-based equipment, products and supplies
  - **REHACARE:** Scheduled for September 25-28, as always in Dusseldorf, Germany. A broad range of manufacturers, suppliers, and providers will be in attendance from such areas as rehab and complex rehab products, home respiratory, HME, home medical supplies and other home and community-relevant product categories



## RT/HME (cont'd)

- **U.S. RT/HME sector size** estimates vary from \$37 billion in 2022 (Preduce Research) to \$63 billion in 2023 (Grand View Research) to \$115 billion in 2023 (Polaris Market Research). Future annual growth estimates vary as well, in a range of 5-8%. IBISWorld estimates that the HME rental service segment of RT/HME will be \$5.7 billion in 2024. All of these statistics should be taken with a grain of salt – certainly the RT/HME dealer channel (local market delivery and billing to payers) is likely not more than \$10 billion in size (see our prior report for additional estimates). However, sector size estimates can easily be in the tens of billions of dollars if one includes:
  - All forms of HME (using Medicare’s broad definition of DMEPOS that also includes complex rehab and home medical supplies) as well as other DME-type products; and
  - RT/HME sold through a myriad of medical and consumer channels (e.g., aside from RT/HME dealers: retail pharmacy, HME retail, chiropractic, DIY and other retailers, online (a significant segment as consumers are active purchasers of many HME-type products on a cash pay basis), rehab and other channels



## RT/HME: Sleep Apnea

- **New drug reduces OSA severity.** Eli Lilly's drug, tirzepatide, achieved an average reduction of up to 63% on the apnea-hypopnea index (AHI) compared to placebo as part of phase 3 clinical testing. The 63% reduction equates to 30 fewer events per hour of restricting or blocking a person's airflow. As a secondary endpoint, "disease resolution" was also studied where AHIs are recorded at fewer than 5 events per hour. This endpoint showed 43% to 52% disease resolution in two studies
- **Double-digit CPAP mask growth.** Coming off "catch-up" growth of 28% in CPAP masks in the first half of its FY'2024, Fisher & Paykel expects to maintain around 10% growth in this product category for the remainder of its fiscal year. Likewise, ResMed announced double-digit CPAP mask and accessory revenue growth in its third FY'2024 quarter



## Home Medical Supplies: Urological

- **Positive changes for urinary catheter coding.** In May, CMS issued a proposal (to be finalized in fall and discussed as a late 2025/early 2026 implementation) whereby 2 existing codes for intermittent urinary catheters would be discontinued and 5 new ones would be established. There are 1,300 products in this this home medical supplies category, and the industry viewed this decades-old coding system to be antiquated. The new codes are expected to be positive, at minimum for patient access and better care, given new technologies that have entered the urinary catheter segment





## M&A Activity

- M&A activity continues to be very solid with the lessened hold of Medicare Competitive Bidding and reawakened interest among both financial and strategic buyers, particularly in HME, home medical supplies and niche home product markets
- **RT/HME – Provider Services:**
  - SG Homecare acquired SoCal-based, HME provider Western Drug Medical Supply (June 2024). SG Homecare’s revenue is \$150 million on a pro forma basis
- **SNF RT/HME – Outsourced Services:**
  - MasVida Health (Brixey & Meyer) acquired Joerns’s long-term care rental business (April 2024)
- **Complex Rehab – Manufacturing:**
  - Platinum Equity is acquiring Sunrise Medical from Nordic Capital. Sunrise is a manufacturer of manual and power wheelchairs, along with power assist and seating & positioning products (June 2024 agreement)
- **RT/HME Manufacturing:**
  - GF Health Products acquired Transfer Master Products, a manufacturer of adjustable beds for home health and other healthcare settings (June 2024)

# Select Private Equity-Backed Companies

- **RT/HME Providers - Capitated:**
  - SG Homecare (Sverica Capital)
  - Integrated Home Care Services (Nautic Partners)
- **RT/HME Providers:**
  - Performance Home Medical (Grant Avenue)
  - DASCO (Silver Oak Services)
- **Home Ventilator Providers:**
  - PromptCare RT (Waud Capital)
  - Advent Home Medical (New Harbor)
- **Complex Rehab Providers:**
  - National Seating (Cinven)
  - Reliable Medical (Seven Hills)
- **Home Medical Supplies Providers:**
  - TenderHeart (Riverglade Capital)
  - CHC Solutions (1315 Capital)
  - Strive Medical (NMS Capital)





## Select Private Equity-Backed Companies (cont'd)

- **Hospice HME:**

- DME Express (Waypoint Holdings)
- StateServ (Windrose Investors)

- **Complex Rehab Products Manufacturers:**

- Sunrise Medical (pending Nordic Capital to Platinum)
- Meyra (Riverside Company)

- **Diversified RT/HME Suppliers:**

- Invacare (Azurite)
- Compass Health Brands (TENEX)

- **Diabetic and Wellness Footwear Suppliers:**

- Anodyne (HealthEdge Investment)
- Propet (Merit Capital)

- **Examples of Other Product Categories**

- Kinex Medical (Merit Capital) – post-op orthopedic/rehab
- CPAP.com (Cathay Capital) – e-commerce sleep apnea equipment and supplies



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