NEWS

It's a great time to ditch your home health business, but seller beware, lawyer says

LIZA BERGER

DECEMBER 7, 2021

SHARE

Considering selling your home health business? Now is the right time. But the process of unloading your firm is not as cut and dry as you might think. That is according to lawyer Alan E. Schabes, who presented the legal considerations of mergers and acquisitions in a recent webinar for the National Association for Home Care & Hospice.

Given the intense interest in home care among consumers and the regulatory push toward home care versus institutional care, the market is hot for home health, said Schabes, who works for the firm Benesch, Friedlander, Coplay & Aronoff LLP in Cleveland, OH. Because of these conditions, there is also an exorbitant amount of interest from various types of buyers looking for an entrée into the home health and hospice arenas, he said.

“From a macro level it is a good time to sell,” he said.

Home health and hospice M&A activity continues to be robust, he noted. For example, market disruption from the new Patient-Driven Groupings Model (PDGM) is driving an opportunity for larger home health providers to gain market share or acquire smaller, less sophisticated providers. Smaller home health providers also have taken a hit from COVID-19.

Still, the process of selling a firm is not so easy, he explained. There are a lot of factors to consider. The basic transaction structures, for example, have pluses and minuses. A transfer of stock/membership interest may facilitate a more rapid closing but requires more extensive due diligence.

Meanwhile, an asset sale and purchase offers the flexibility to pick and choose which assets are purchased, but could trigger time-consuming change of ownership requirements. Schabes noted the so-called “36-month rule,” which says if there have been two changes of equity in the last 36 months, a buyer cannot assume a Medicare number.

“That is a big deal,” Schabes said.

And he pointed out that a recent advisory opinion from the Office of Inspector General has placed joint ventures at greater risk.

One of the hardest parts of selling a company is the effort involved with due diligence, he said. The scope of due diligence encompasses, financial, legal, compliance, and billing and coding review. Calling the process a “legal endoscopy,” he said it is virtually impossible to run a business and do due diligence at the same time.

"It virtually paralyzes a company," he said.

HOME CARE | HOME HEALTH | HOSPICE | PDGM

TOP STORIES

VIEW ALL >

NEWS

LHC Group to help train nurses for in-home care

NEWS

It's a great time to ditch your home health business, but seller beware, lawyer says

NEWS

Revival Health ramps up production of in-home COVID-19 tests

EDITORS' PICKS

VIEW ALL >

Where have all the mandates gone?

BY LIZA BERGER

What's a McKnight's Woman of Distinction?

BY LIZA BERGER

Sorry, folks. Medicare Advantage is here to stay

BY LIZA BERGER

Have we got news for you!

*E-mail Address

United States

McKnight's Home Care Daily Pulse

SIGN UP FOR OUR NEWSLETTERS

Privacy Policy | Terms & Conditions

FEATURED CONTENT

VIEW ALL >

NEWS

LHC Group to help train nurses for in-home care

NEWS

It's a great time to ditch your home health business, but seller beware, lawyer says

McKnights

NEWS