

Home Health

Survey: Home health and Hospice vols accelerated in Q2, labor slow to improve

Industry Overview

Vols improved in Q2 but labor remains a headwind

As per our May survey, home health vols and hospice census accelerated from April, and Q2 is tracking above 1Q23. The use of temp staff improved in Q2 but the staff turnover was higher than in Q1. The outlook for labor costs calls for a deceleration (+9.4% y/y in 2023 vs +12.5% in 2022) but it is worse vs our prior survey and is well above Medicare rate update of +0.7%. Meanwhile, Medicare Advantage continues to outpace Medicare volume growth, a negative mix shift given the rate discount.

Labor outlook worsened; turnover higher in Q2 vs Q1

Respondents expect wage growth of +7.7% y/y in 2023, worse than 7.4% in our prior survey, but notably a deceleration from +11.5% in 2022. Total labor costs (including contract labor) are expected to increase +9.4% y/y in 2023, worse than +8.0% in our April survey. In a positive, respondents expect y/y deceleration (from +12.5% in 2022). The staff turnover so far in Q2 was 17%, above 14% in Q1 and above 11% pre-COVID.

More limited admits due to labor shortages vs April

52% of respondents limited admits due to labor shortages in May, well above 42% in our April survey. On average, 13% of patients were not admitted due to shortages, in line with our prior survey; the Q2 avg is tracking better than 14% in Q1.

Temp labor use in Q2 below Q1

12% of hours were provided by temp labor in May, below our April survey, with Q2 average tracking at 12%, better than 14% in 1Q23 but well above 6% in 2019.

HH vol improving nicely, Q2 tracking 300bps above Q1

Organic HH volumes (admissions + recertifications) accelerated in May 2023 to +17.6% y/y, and the Q2 avg is tracking at 15.8%, 300bps above 1Q23 avg.

MA grew 450bps faster than FFS; Rate discount worsened

So far in Q2, Medicare Advantage (MA) admissions grew faster than Medicare, +13.2% y/y vs +8.7% for fee-for-service (FFS). On avg, the MA rate is 20% below FFS; the majority of respondents see MA rates improving but more see the delta getting worse.

Hospice ADC and admits tracking above Q1

Organic hospice ADC accelerated in May from April (+12.1% vs. +8.5%) and Q2 is tracking above +8.8% in 1Q23. Admission growth in May was above April (+7.9% vs. +6.9%), and Q2 is above +6.0% in Q1. LOS up +4.5% so far in Q2 (+4.4% in Q1).

Rates in hospice carve-in demo are 10% below Medicare

Half of hospice providers in the survey contract with a MA health plan for hospice services. These respondents reported the average daily rate for MA was 10% less than the average Medicare daily rate, with a median of -5%.

16 June 2023

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HH = home health

ADC = average daily census

LOS = Length of stay

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Enhabit (EHAB) best positioned in our survey

Our survey results are most relevant for Amedisys(AMED) and EHAB as most of their revenues come from home health and hospice. Hospice results are the most relevant for Chemed(CHE) (57% of revs) and AMED (35% of revs), followed by Addus(ADUS) (20% of revs), and Enhabit(EHAB) (19% of revs).

Exhibit 1: Exposure to Home health and hospice – Revenue mix as % of total revs, as of 1Q23

Our survey is most relevant for EHAB, ADUS, and AMED, also applicable for CHE

Category	AMED	EHAB	ADUS	CHE
Home Health	62%	82%	5%	-
Hospice	35%	19%	20%	57%
Personal Care	3%	-	76%	-
Other	1%	-	-	46%

Source: BofA Global Research survey, company reports

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In order to look at the exposure of each company to home health organic volume (admissions + recertifications) trends, we calculated a weighted average for AMED and EHAB based on their exposure to the 22 states (% of centers in each state). This survey's results are relevant for EHAB and AMED as the 22 states included in the survey cover 63% of home health agencies operated by AMED and 61% of home health agencies operated by EHAB. EHAB is better positioned in this survey, with +17.2% weighted avg growth in its markets in May, below the overall survey average but above AMED's average

Exhibit 2: Company exposure to Home Health Organic Volume (admits + recertifications)

Average y/y growth in May 2023

EHAB is better positioned in this survey, with +17.2% weighted avg growth in its markets in May

State	# of agencies	May '23 Organic Vols	Company exposure (% of agencies)	
		Y/Y Average	AMED	EHAB
Florida	8	39.4%	4.6%	8.3%
California	8	12.4%	1.2%	0.0%
Georgia	6	12.5%	16.1%	8.3%
Texas	5	8.2%	4.9%	20.2%
Ohio	3	36.0%	1.2%	0.4%
Indiana	2	-1.0%	1.4%	0.4%
Iowa	2	7.0%	0.0%	0.0%
Tennessee	2	17.5%	13.0%	2.8%
Virginia	1	11.0%	4.0%	4.4%
Illinois	1	3.0%	0.6%	1.2%
New York	1	2.0%	1.4%	0.0%
Washington	1	0.0%	0.6%	0.4%
Delaware	1	15.0%	0.6%	0.0%
Arizona	1	60.0%	0.9%	2.0%
Oklahoma	1	25.0%	2.0%	7.5%
Utah	1	2.0%	0.0%	2.4%
South Carolina	1	10.0%	7.5%	1.2%
Minnesota	1	4.0%	0.0%	0.0%
Maryland	1	9.0%	2.6%	1.2%
Kansas	1	40.0%	0.0%	1.6%
Wisconsin	1	5.0%	0.3%	0.0%
Nebraska	1	9.0%	0.3%	0.0%
Total	50		62.5%	60.7%
Weighted Average		17.6%	15.4%	17.2%

Source: BofA Global Research survey, % exposure by state from company reports

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Home health/hospice survey

We surveyed 50 home health agencies in 19 states. We focused on the most populous states with 16% of respondents based in CA, 14% in FL and 10% in TX - see Exhibit 44 for a full breakout.

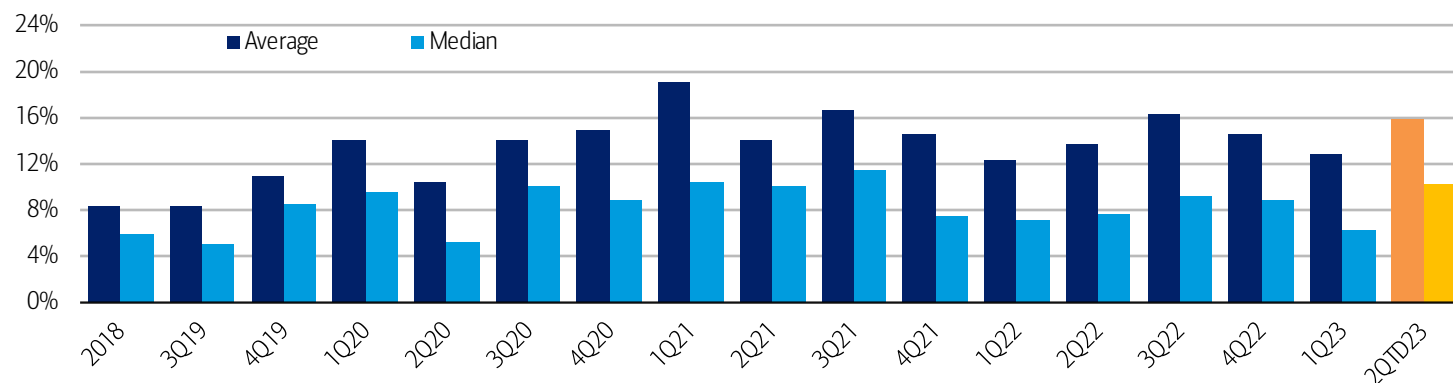
Organic home health vols accelerated in May, Q2 tracking above 1Q23

Please describe (quantify % change) organic Total home health volume (admissions + recertifications) for Medicare + Medicare Advantage year-over-year, at your agency at each of the following points in time?

On average, our survey's respondents saw organic home health volumes (admissions and recertification) grow +17.6% y/y (median of +10.5%) in May. This is an acceleration from +14.1% in April and +12.6% in March. This implies 2Q23 is tracking at +15.8%, which is above +12.8% in 1Q23, and +14.6% y/y in 4Q22. Median growth of +10.5% this month was above the median growth we saw in April.

Exhibit 3: Quarterly trends in average organic home health volume (admissions + recertifications)

Home health vols are in 2QTD23 are tracking above 1Q23, and continue to grow faster than prior to pandemic

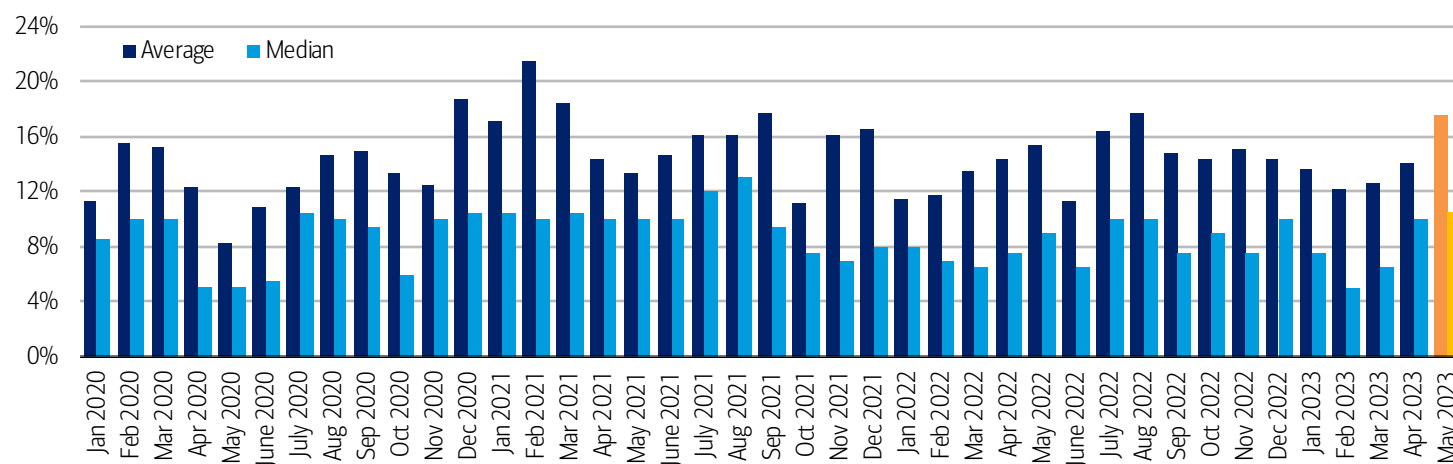


Source: BofA Global Research survey

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Exhibit 4: Monthly trends in organic home health volume (admissions + recertifications)

May volumes were on average above the growth in April and above pre-pandemic trends



Source: BofA Global Research survey

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Surveys directionally consistent with company trends

While our BofA survey results for total home health volume trends are only modestly correlated with the average same store volumes at the publicly traded companies, AMED and LHC Group (now owned by United Health(UNH)), the changes are useful to assess the direction of trends.

For example, the surveys implied a volume slowdown in 4Q21 vs 3Q21, and the companies reported the average same store (SS) volumes slowing down to +1.4% in 4Q21 from +1.8% in 3Q21. Similarly, for 1Q22, the surveys indicated volumes slowing

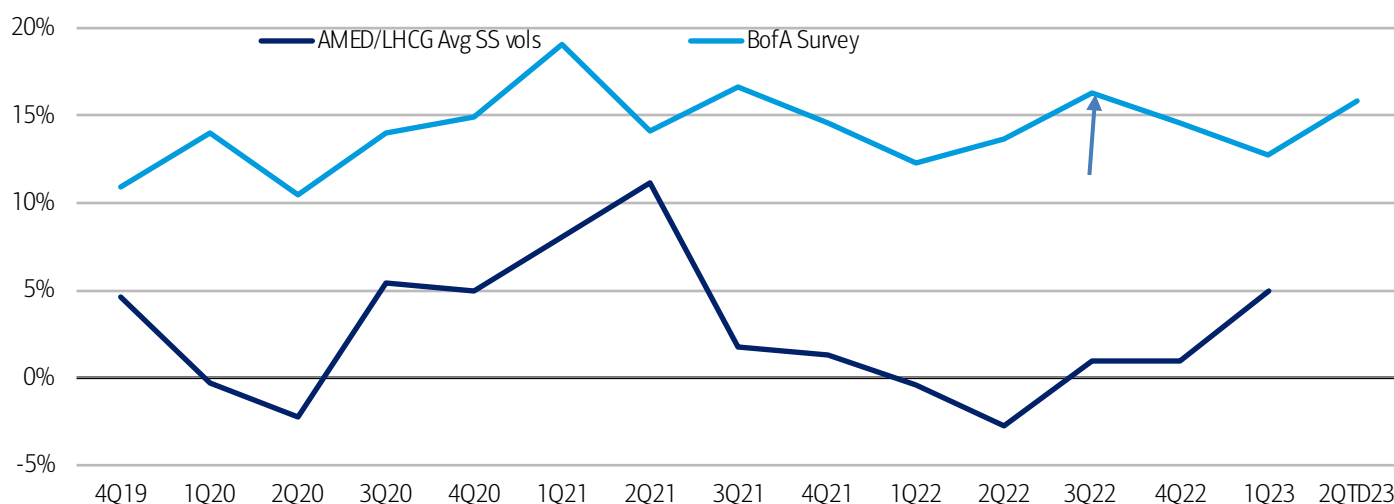
down further (to +12.3% in 1Q22 vs +14.6% in 4Q21) and the average home health vols for AMED and LHC Group(LHCG) decelerated to -0.4% in 1Q22 from +1.4% in 4Q21.

However, the correlation was not as strong in 2Q22. Our surveys indicated volumes accelerated (to +13.7% in 2Q22 from +12.3% in 1Q22). Meanwhile, average home health vols for AMED and LHCG decelerated to -2.8% in 2Q22 from -0.4% in 1Q22.

3Q22 was much more directionally consistent as the survey indicated volumes would accelerate (+16.3%, up from +13.7% in Q2) and the average home health vols did, in fact, accelerate (from -2.5% to +1% in 3Q22). Our surveys indicated that volumes decelerated in 4Q22 from 3Q22 while AMED total vols remained stable Q4 vs Q3. Our surveys indicated that volumes in 1Q23 decelerated from 4Q22 while AMED reported volumes accelerated significantly in 1Q23. Currently, our surveys are indicating an acceleration in 2Q23.

Exhibit 5: AMED/LHCG home health same store volumes avg vs BofA survey's home health volumes % chg

As per Surveys, Q1 vols decelerated from Q4 but are accelerating in 2Q23



Source: BofA Global Research survey, Company reports

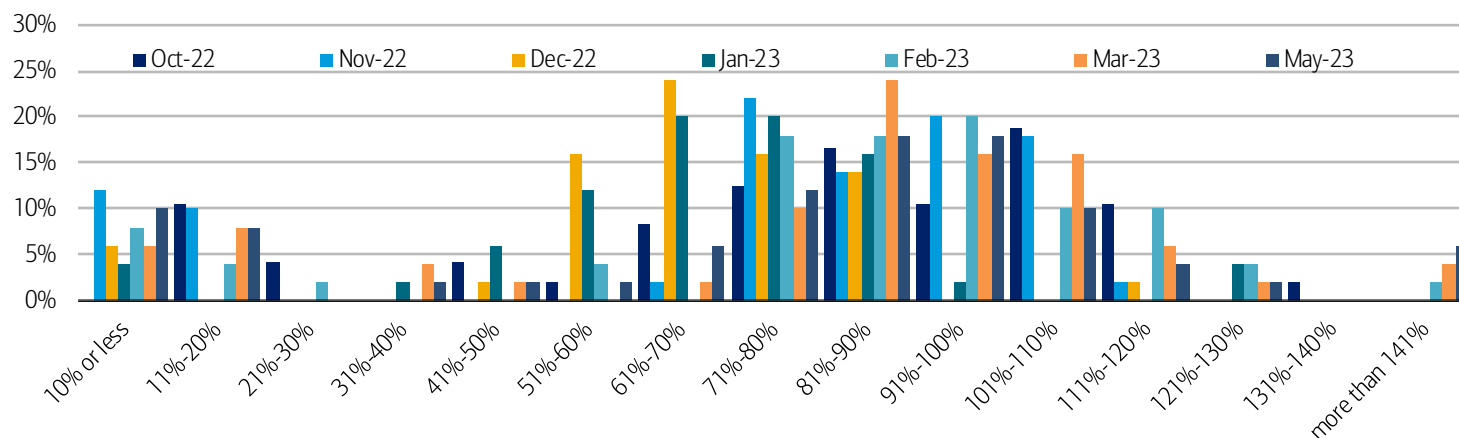
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Census below 2019 levels, view worse than prior survey

We added a question in September 2022 where we asked respondents how census compares to 2019 levels. In May 2023, on average, respondents said their census is now at 79% of the 2019 levels, ranging from 0% to 175%. This is worse than the average of 86% we saw in April. Of note, 22% of respondents said their census is above 2019 levels, worse than 24% in the prior survey.

Exhibit 6: Census is below the 2019 levels

Census as a percentage of 2019



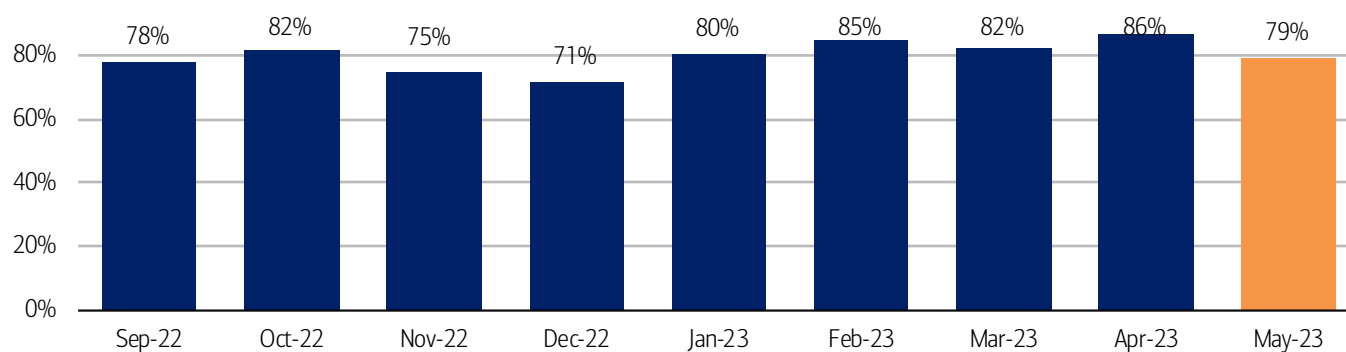
Source: BofA Global Research survey

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Generally, the view of census recovery to pre-COVID levels improved so far this year from the Dec 2022 lows. This month, it deteriorated compared to results in the prior month.

Exhibit 7: Respondents' census is at 79% of 2019 levels, below the Apr avg and March avg

Average of respondents' census as a percentage of 2019



Source: BofA Global Research survey

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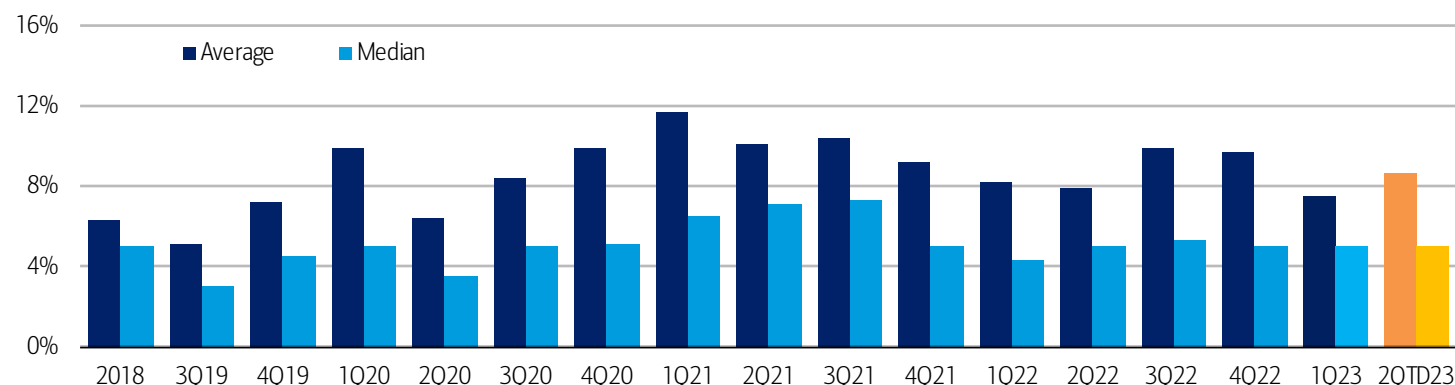
Medicare admission growth accelerated in May, Q2 tracking above 1Q23

Please describe (quantify % change) organic Medicare admissions year-over-year, at your agency at each of the following points in time?

On average, organic Medicare admissions increased +9.9% in May 2023, accelerating from +7.4% y/y in April. So far in Q2, Medicare vols are tracking at +8.7% y/y, above the +7.5% growth in Q1. Still, this is above the pre-pandemic trends. Median growth of +5.0% this month was in line with the median growth we saw in April.

Exhibit 8: Quarterly trends in average organic home health Medicare admissions y/y growth

Medicare admits growth in 2QTD23 are tracking above 1Q23

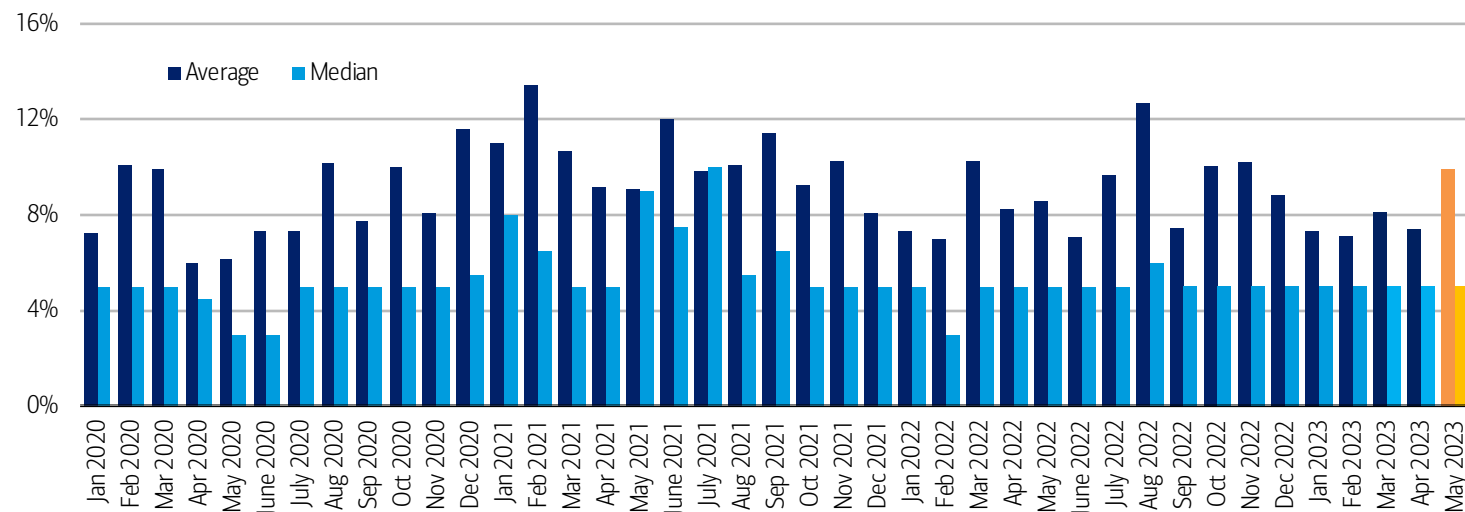


Source: BofA Global Research survey

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Exhibit 9: Monthly trends in organic home health Medicare admissions y/y growth

Medicare admissions growth accelerated +250bps m/m in May and are above trends observed prior to the pandemic



Source: BofA Global Research survey

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MA admits accelerated m/m in May, Q2 tracking above Q1

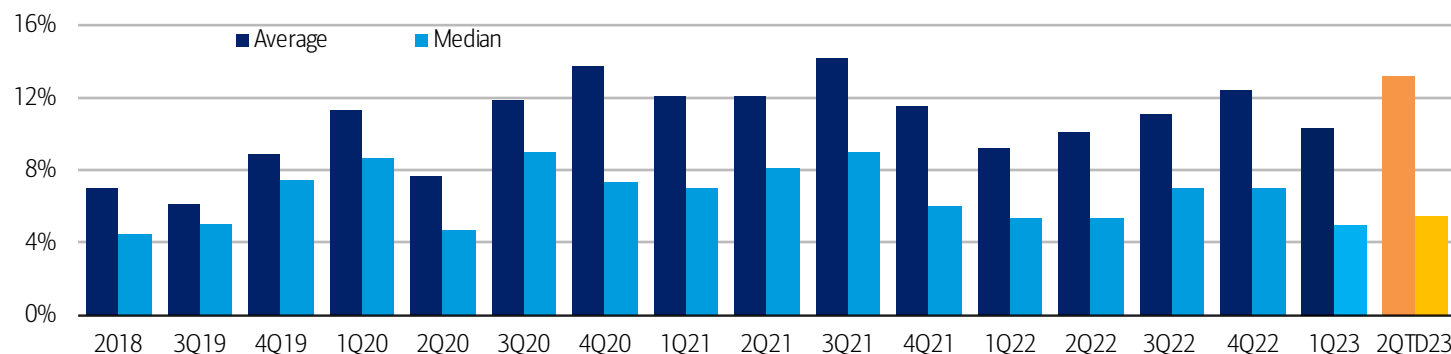
Please describe (quantify % change) actual Medicare Advantage admissions year-over-year, at your agency at each of the following points in time?

Organic Medicare Advantage (MA) admissions grew +13.8% y/y in May 2023, above the 12.6% y/y growth in April and the 9.9% y/y growth in March. The average MA admission growth in Q2 is tracking at +13.2% y/y, above the 1Q23 growth of 10.3%. This growth is generally above the trends observed prior to the pandemic. The median of +6.0% was above the median growth we saw in April.

Of note, this month's average MA growth is +390bps above the Medicare volume growth, continuing with the trend we have seen in prior months, although the delta is much larger.

Exhibit 10: Quarterly trends in average home health organic MA admits y/y growth

Avg MA admission growth in 2QTD23 is tracking above 1Q23

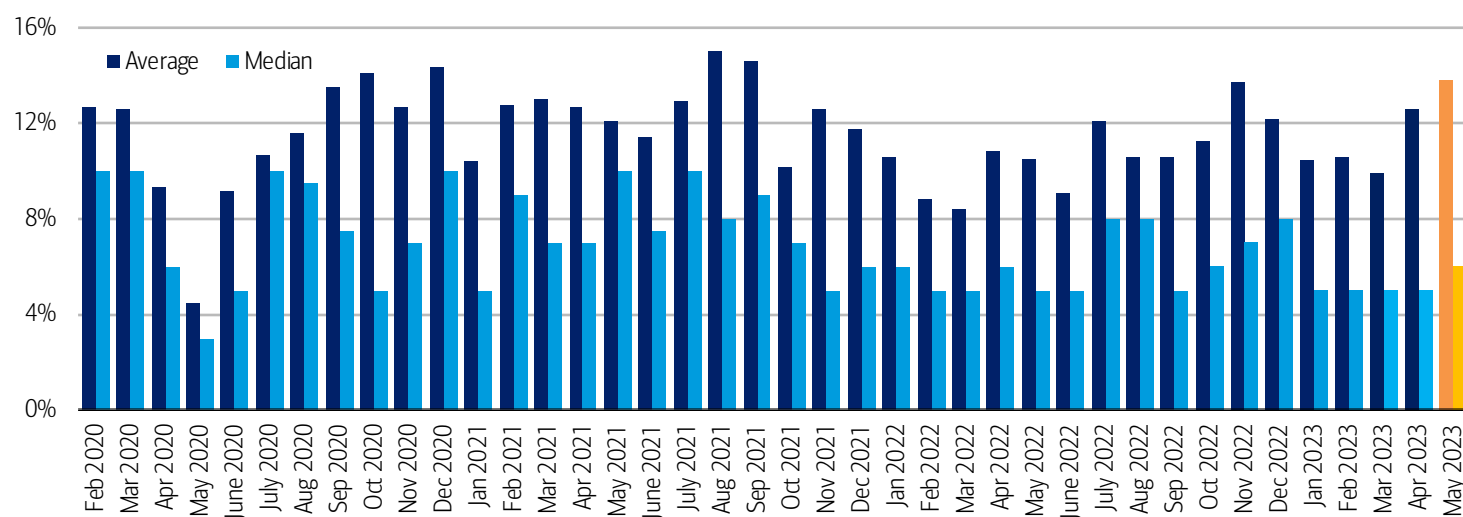


Source: BofA Global Research survey

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Exhibit 11: Monthly trends in average organic home health MA admits y/y growth

Medicare Advantage admission growth in May was above the growth in April



Source: BofA Global Research survey

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MA accounts for 39% of home health patients, below last month

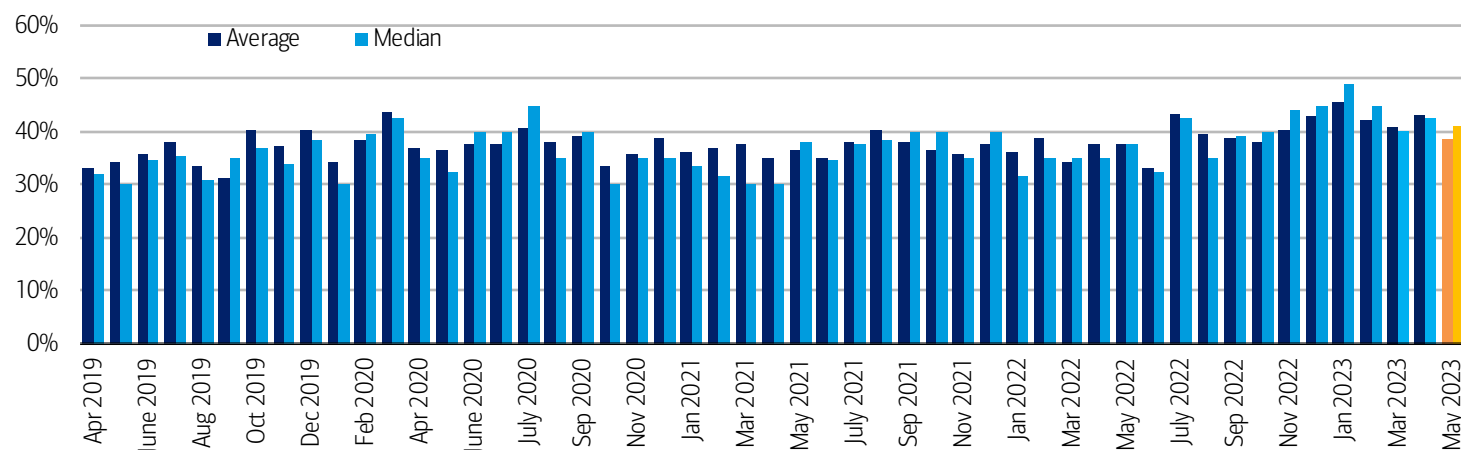
What percentage of your home health patients are/were on Medicare Advantage at each of the following points in time, if any?

On average, Medicare Advantage (MA) accounted for 39% of our respondents' home health patients as of May 2023, below the 43% in April but above the 38% in our May 2022 survey.

The respondents' penetration in this month's survey is below the 45% MA penetration within Medicare beneficiaries overall in 2022 (according to Kaiser). The overall MA market penetration varies by state. For example, the overall penetration of MA is 53% in Florida, 50% in Georgia, and 49% in Texas, but only 33% in Virginia. As such the location of respondents can influence the results of the survey.

Exhibit 12: Medicare Advantage as % of home health patients

About 39% of home health patients are in MA plans



Source: BofA Global Research survey

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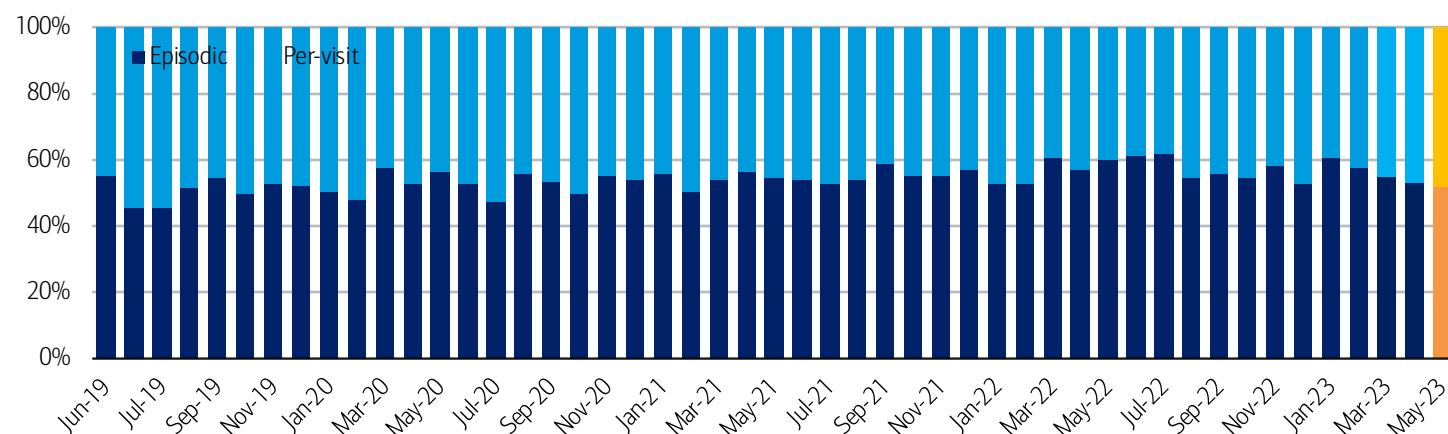
52% of MA admits are being paid on an episodic basis

What percentage of your Medicare Advantage admissions are/were paid on an episodic vs. per-visit basis at each of the following points in time?

As of May 2023, 52% of MA admissions on average are paid on an episodic basis as per our survey. This is below the 60% a year ago, but above the 50% range observed through 2019 on average. The remaining 48% of MA admits are paid on a per visit basis.

Exhibit 13: MA admission mix by payment structure (episodic vs per-visit)

52% of MA admissions are paid on an episodic basis as of May 2023, above 50% on avg in 2019



Source: BofA Global Research survey

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MA rate 20% below FFS in May 2023

What is the difference between the average rate per visit for Medicare Advantage vs. Medicare Fee-for-service for your agency?

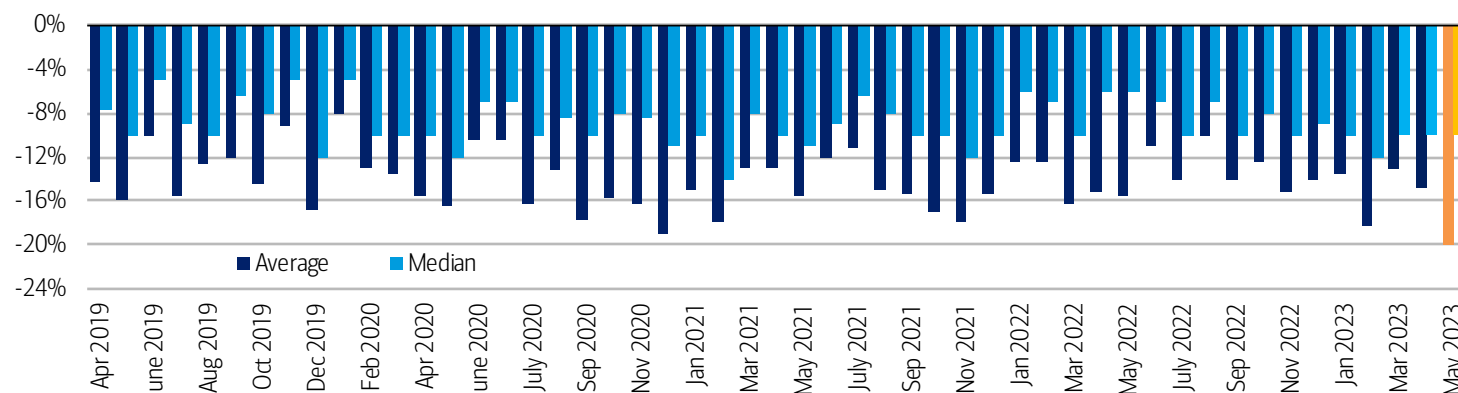
64% of respondents said their MA rate per visit is below the comparable FFS rate, below the 70% commentary from the publicly traded companies. Meanwhile, 30% of respondents said their MA rate per visit was above the comparable FFS rate with the premium ranging from +1% to +15% among respondents. The remaining 6% of respondents said their MA rate per visit is in-line with the FFS rate.

As of May 2023, the MA rate per visit is 20% below Medicare FFS rates on average, with a median 10% discount to FFS rates. This average discount is above the value a year ago

(16% discount). The 20% discount in May 2023 is worse than the 15% discount we surveyed in April.

Exhibit 14: Average rate per visit for Medicare Advantage vs. Medicare Fee-for-service

The MA rates remain at a discount to traditional Medicare, with a variance of -20% on average as of May 2023



Source: BofA Global Research survey

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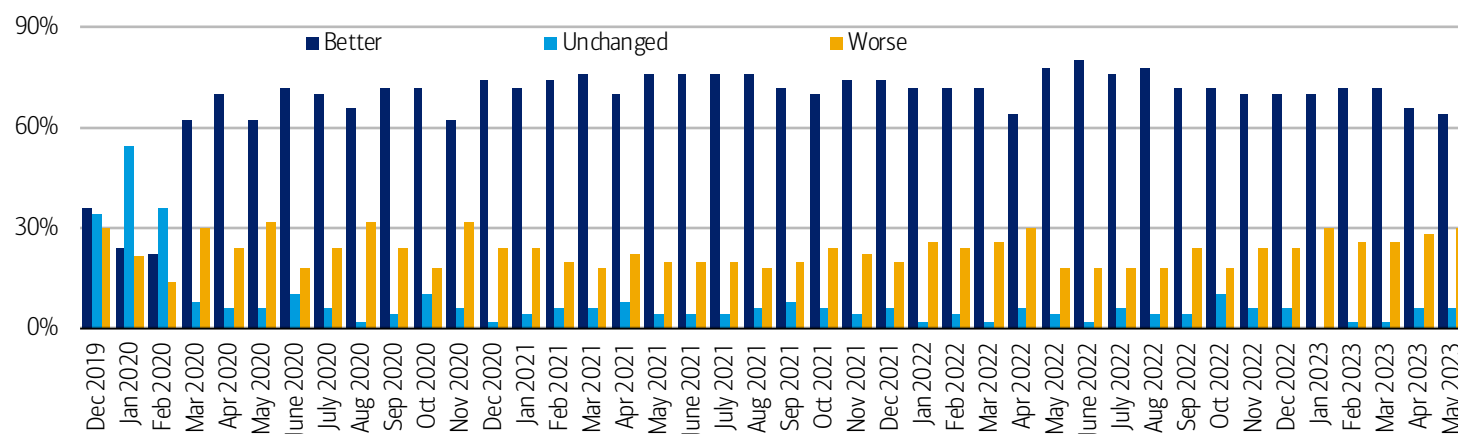
Majority see MA rates improving but more see delta vs FFS getting worse

This month, 64% of respondents said the delta between the MA rate and FFS rate improved year over year, while 30% said the delta worsened and 6% said the delta remained unchanged.

The percentage of those who think the rate is improving is below what we saw in our April survey. The % who think the rate is unchanged was also in line with the result of last month and the % who think it worsened was above last month. That said, it is important to note that this is the 34th straight survey in which over half of respondents said the rates were improving. Nevertheless, the % of respondents with worsening MA rates has been steadily increasing since mid-2022.

Exhibit 15: Change in delta between MA and FFS rate

Most of respondents see MA rates improving, consistent with our prior surveys



Source: BofA Global Research survey

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Industry consolidation to be below average, outlook above prior surveys

What do you think the pace of the industry consolidation would be over the next year?

Please rate on the scale from 1 to 10, with 1 being 'no consolidation activity' and 10 being 'extremely robust consolidation activity'.

We asked respondents about their outlook for industry consolidation on the scale of 1 to 10, with 1 being 'no consolidation activity' and 10 being 'extremely robust consolidation activity'.



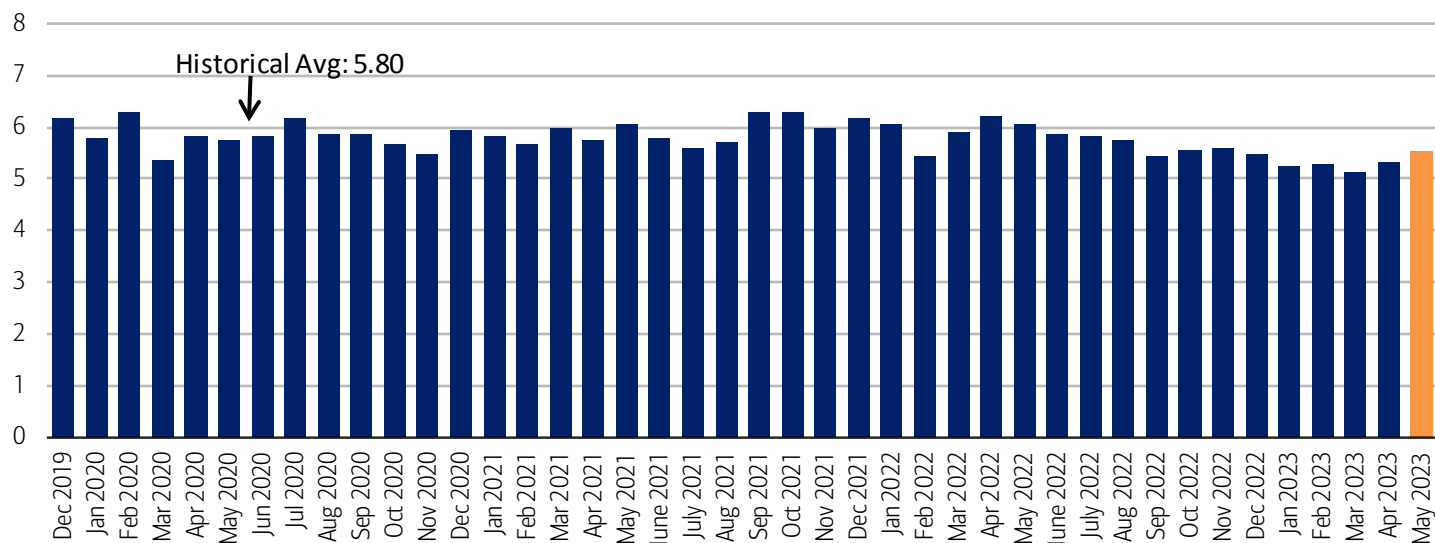
Respondents expect the industry consolidation to be slightly above average (5.5) but below the survey average of 5.8. Of note, the expectations have been declining from the peak in the late 2022.

On average, agencies rate the pace of consolidation activity at 5.5 implying expectations for consolidation activity to be slightly above the average and below the historical average for the survey of 5.8. This is above the 5.3 avg in our prior survey.

0% of respondents expect robust consolidation activity (selected “10”); meanwhile, 57% of respondents expect moderate/high consolidation (selected “6-9”). Publicly traded companies expect consolidation in the industry given PDGM, RAP removal, and pandemic disruption. With some visibility post the final home health reg, the companies expect more M&A.

Exhibit 16: Expectations for industry consolidation, weighted average (scale of 1 to 10; 1=“no consolidation activity”, 10=“extremely robust”)

Industry consolidation expected to be below historical average



Source: BofA Global Research survey

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Labor costs

Wage/ labor costs to decelerate in 2023 vs 2022, outlook worsened vs prior

What year-over-year percentage change in wages did you experience in 2022 vs. 2021, and what are you expecting in 2023 vs 2022?

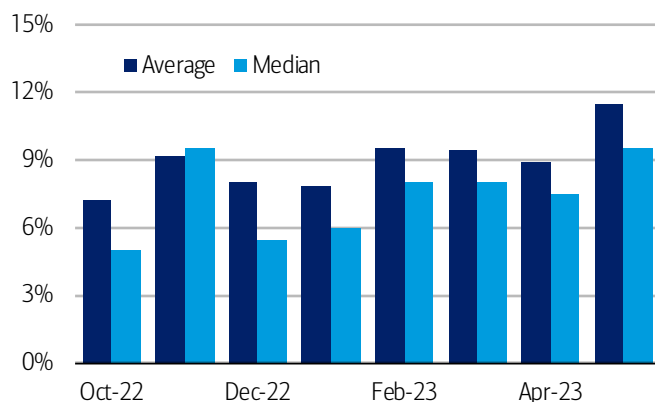
What year-over-year labor cost (wages and contract labor) growth did you experience in 2022 vs. 2021, and what are you expecting in 2023 vs 2022?

In October 2022, we changed how we asked for the outlook for labor costs: instead of selecting a range of increases, we ask respondents to provide an exact rate of increase they expect.

In our May survey, agencies said they saw an average +11.5% y/y increase in wages in 2022. This is above the y/y increase agencies described in our April 2023 survey. Meanwhile, agencies expect wage inflation in 2023 to be below 2022 at +7.7% y/y in 2023. The outlook worsened: now expect +7.7% y/y in 2023, worse than the +7.4% growth in our April survey.

Exhibit 17: Wage growth in 2022

On average, wages increased +11.5% y/y in 2022



Source: BofA Global Research Survey

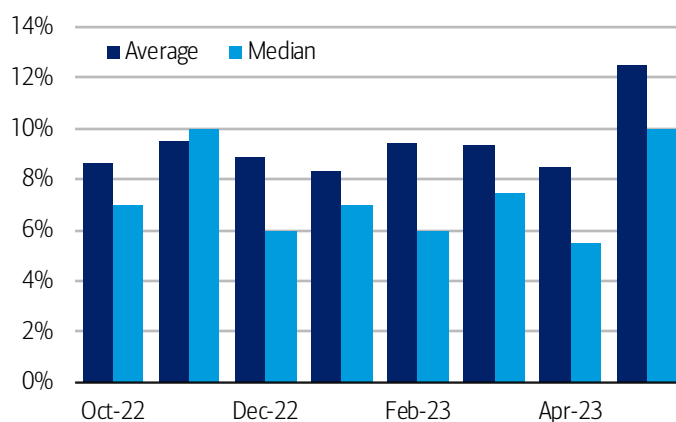
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Meanwhile, agencies said that the total labor costs (wages and contract labor) grew +12.5% y/y in 2022.

Similar to the wage inflation outlook for 2023, respondents expect the total labor cost growth to decelerate in 2023. The average outlook is for an +9.4% labor cost growth in 2023, below the +12.5% growth experienced in 2022. The 2023 labor cost outlook deteriorated vs our prior survey: +9.4% expected in the May survey, worse than the +8.0% average expected in our April survey.

Exhibit 19: Labor cost growth in 2022

Labor costs increased +12.5% y/y in 2022



Source: BofA Global Research Survey

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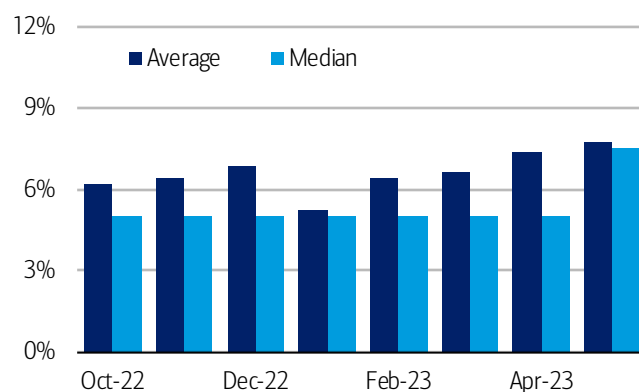
Labor costs to pressure margins, volumes not as much

What do you expect the impact of the higher labor costs to be to 1) your margins next year and 2) your volume growth next year? Please rank each 1) and 2) from -10 to +10 with 0 being "no impact" and -10 being "significantly negative impact" and +10 being "significantly positive impact"

We asked how the labor shortages/cost pressures are expected to impact margins and the volume growth next year. On average, respondents expect a negative impact to margins next year with the average impact of -3.2 on a scale from -10 (significantly negative impact) to +10 (significantly positive impact) with a median of -3.0. This implies the providers expect labor costs to be a headwind to margins but it would be rather modest. Of note, the responses ranged from -10 to +5, implying a very diverse impact.

Exhibit 18: Wage outlook for 2023

Wage growth to decelerate in 2023 (+7.7% y/y) from +11.5% in 2022

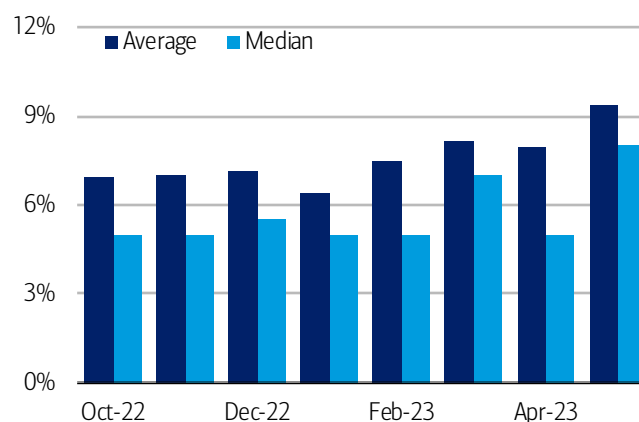


Source: BofA Global Research Survey

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Exhibit 20: Labor cost outlook for 2023

Labor cost growth to accelerate in 2023 to +9.4% y/y from +8.5% in 2022



Source: BofA Global Research Survey

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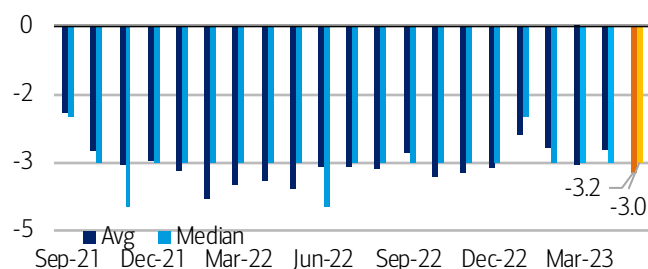
In our May survey, on average, respondents expect a negative impact to volumes next year with the average impact of -1.7 (median of -3.0) on a scale from -10 to +10. The responses ranged from -10 to +7. This implies that providers are more worried about margins than the ability to take on new patients with the impact to volumes viewed as very minimal.

The outlook for the impact to margins (-3.2) was worse vs the prior survey where the avg impact to margins was expected to be -2.7 (median of -3.0). The impact to volumes (-1.7) was worse than the -1.2 average in the prior survey (the median of -1.5 was below with the prior survey.)

Some of the respondents who do not expect labor shortages to have a negative impact to volumes said that they are using more non-licensed staff as well as more part-time staff.

Exhibit 21: Labor cost impact to margins next year on a scale from -10 (significantly negative) to +10 (significantly positive)

Respondents expect some pressure to margins

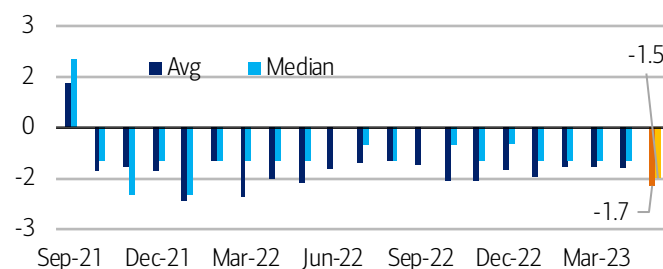


Source: BofA Global Research survey

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Exhibit 22: Labor cost impact to volumes next year on a scale from -10 (significantly negative) to +10 (significantly positive)

Respondents expect some pressure to volumes



Source: BofA Global Research survey

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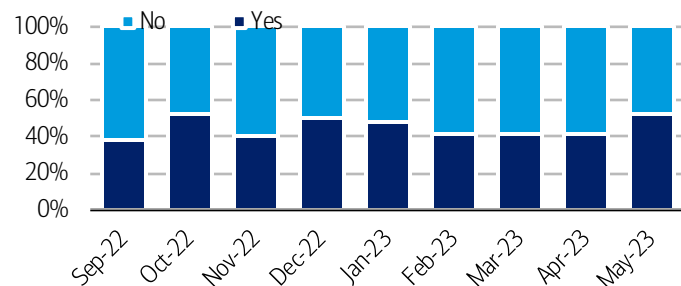
More respondents limited admits due to labor shortages, 13% of admits lost

In September 2022, we began asking our respondents if they had to limit admissions because of labor shortages. In May 2023, 52% of respondents said they had to limit admissions because of labor shortages, above 42% in the prior survey (and above 42% in our March survey). The remaining 48% affirmed they did not limit vols, below the prior survey.

On average, 13% of patients were not admitted due to shortages, ranging from 5% to 35%. This is in line with our April survey, and implies the average impact in Q2 is tracking at 13%, better than 14% average in 1Q23.

Exhibit 23: About 52% of respondents had to limit admits

Answer to the question "Did you have to limit admissions because of labor shortage?"; % of respondents

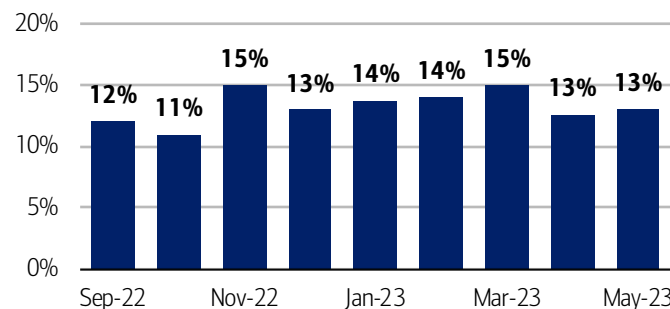


Source: BofA Global Research survey

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Exhibit 24: % of lost admits due to labor shortages improved in May was in line with April

Average % of patients not admitted due to labor shortages



Source: BofA Global Research survey

BofA GLOBAL RESEARCH

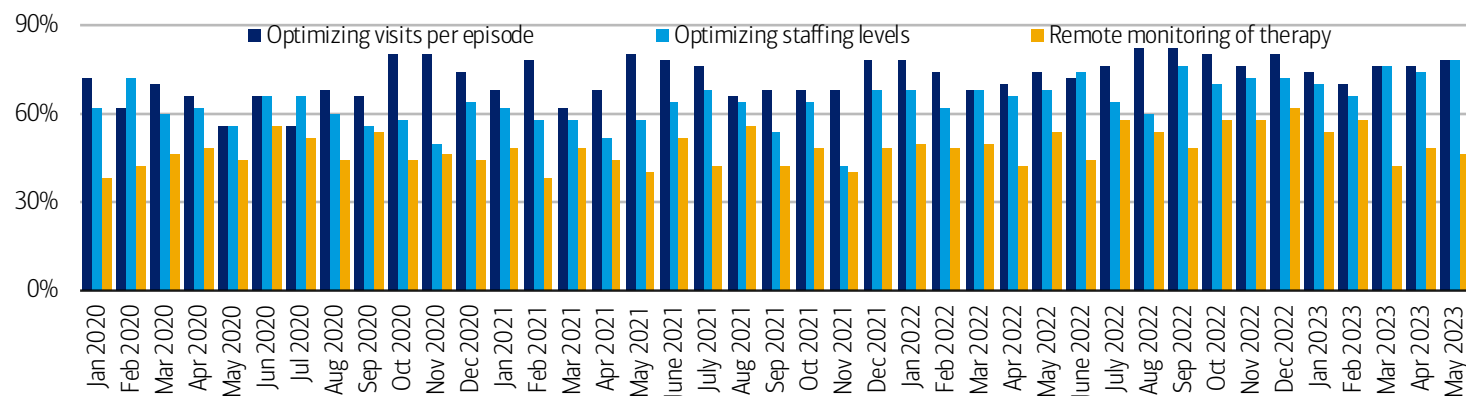
Majority looking to optimize visits and staffing levels to offset headwinds

Which areas are the biggest focuses for cost savings in 2023?

Given the expected pressures, we asked respondents how they plan to offset the headwinds. The main area of cost savings is optimizing visits per episode, a priority for 78% of respondents, above our April survey. Similarly, respondents plan to optimize staffing levels, a priority for 78% of respondents, above our April survey. Meanwhile, about 46% of respondents plan to use remote monitoring of therapy (below the 48% in our April survey) signaling a shift toward visit per episode/staffing optimization cost savings and away from remote monitoring.

Exhibit 25: Main cost saving areas in focus

Majority look to optimize visits and staffing levels as a way to save costs



Source: BofA Global Research survey

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The use of temp labor was lower in May, well above 2019 levels

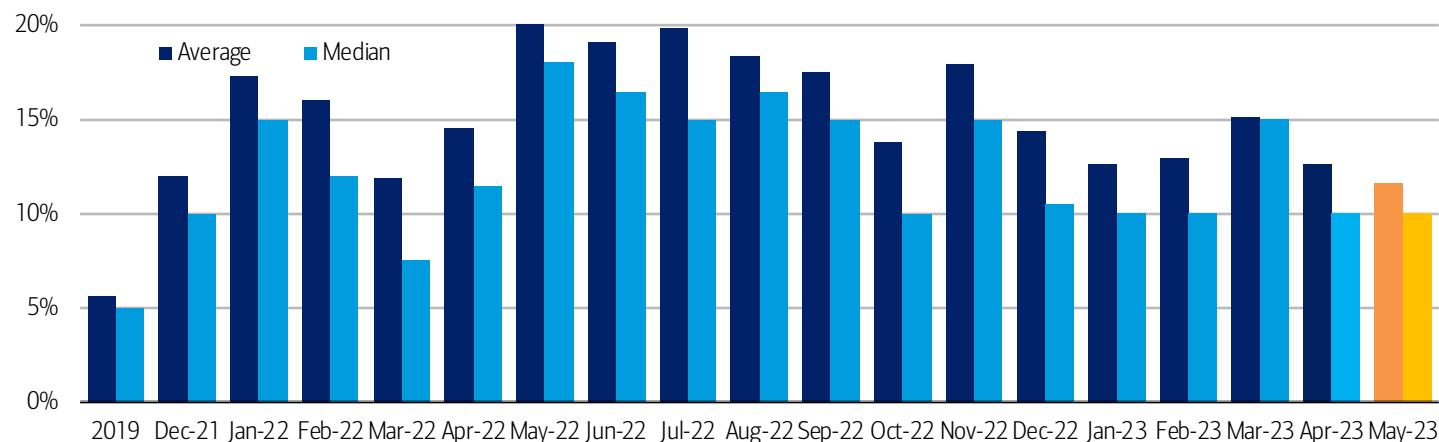
What share of hours of Home health care provided to patients were filled by contracted or temporary staff in: a) April 2023 b) before the pandemic (2019)?

In the January 2022 survey we added a new question. We asked what share of hours of Home health care provided to patients was filled by contracted or temporary staff. The trends were generally improving since the peak in May 2022. Most recently, the percentage of respondents using agency labor declined in April from March and further in May 2023,

In May 2023, on average, respondents said that 12% of provided hours was temp labor, ranging from 0 to 60%. This is below the 13% of hours filled with temp labor in the April 2023 survey (ranging from 0 to 60%). 2QTD is tracking at 12%, better than 14% average in 1Q23. However, it is well above the avg of 6% before the pandemic (ranging from 0 to 50%). The ratio is below the most recent peak in May 2022 of 20%. The median was 10% in May '23, in line with the 10% in April 2023 and well above 3% in 2019.

Exhibit 26: Share of Home health hours of care delivered by temp staff (% of respondents)

Providers have gradually relied on less temp labor in recent months but still more than pre-pandemic



Source: BofA Global Research survey

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Outlook for the need to use temp labor is in line with prior survey

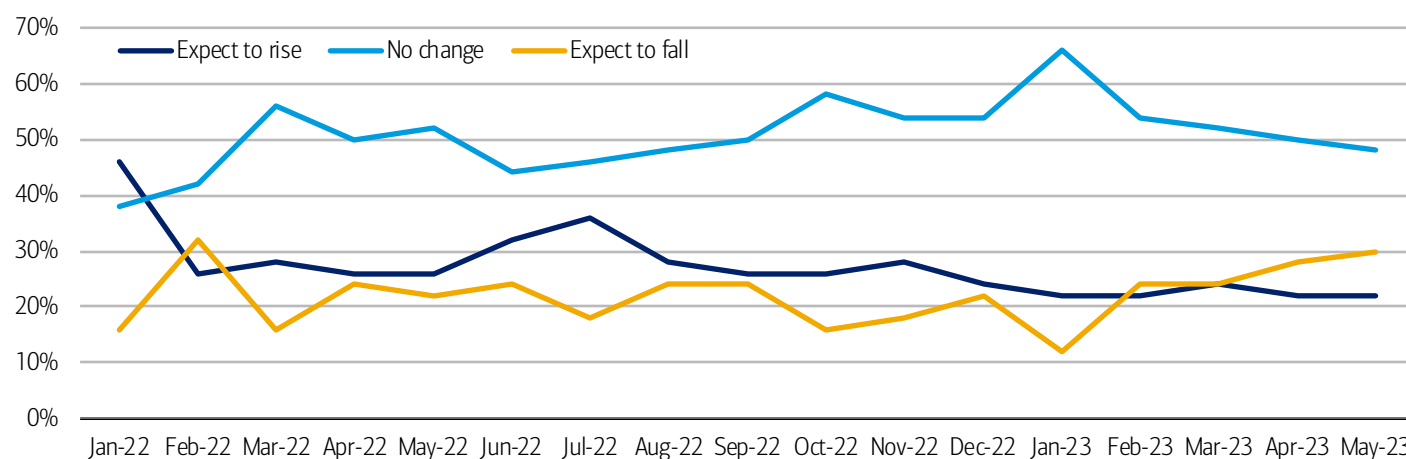
Do you expect the use of contracted/temp staff to rise or fall in the next 3 months?

In our May 2023 survey, 22% of respondents said they are expecting the use of contracted/temp staff to rise in the next 3 months, in line with our prior survey. Meanwhile, 30% of respondents are expecting the use to fall, above 28% in our prior survey. The remaining 48% are expecting no change, below the 50% in the prior survey.

Overall, the outlook for the need to rely on temp labor has been generally improving since the summer 2022: % expecting the use to rise is 22% vs 36% in July 2022.

Exhibit 27: Outlook for the use of contracted/temp staff in the next 3 months (% of respondents)

22% of respondents expects use of temp staff to rise, in line with the 22% in our previous survey



Source: BofA Global Research survey

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Majority increased wages and offered sign-on bonuses

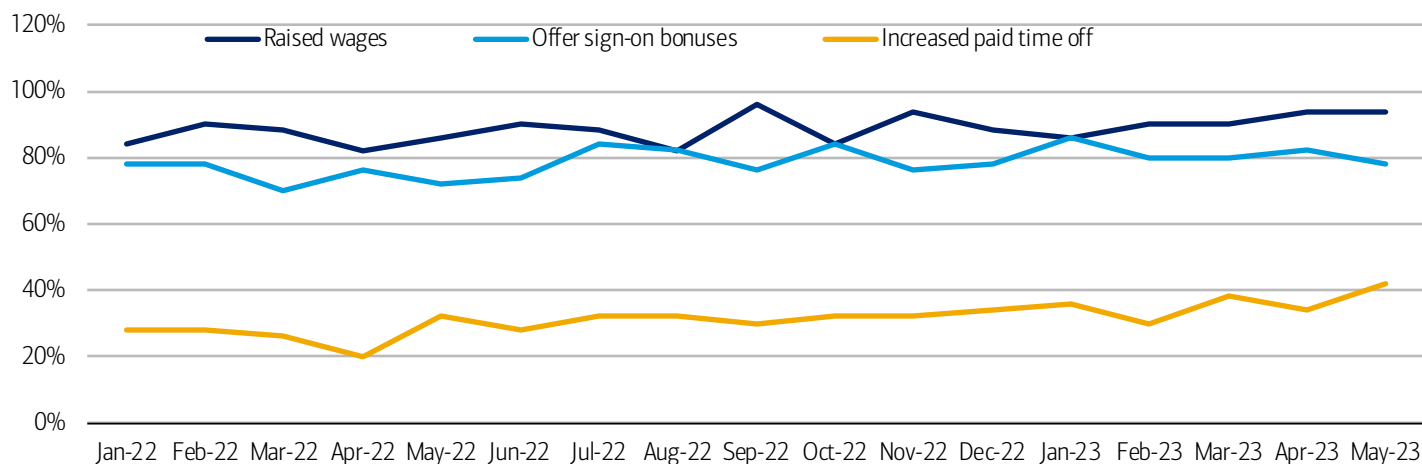
What efforts have you taken recently to improve recruiting and retention of clinical staff?

We also asked respondents about the efforts they have recently undertaken in order to improve recruiting and retention of clinical staff. 94% increased wages, in line with our prior survey. 78% of respondents said they are offering sign-on bonuses, below the April survey. Lastly, 42% increased paid time off, above the 34% in our prior survey and higher than levels seen in 2022.

Respondents noted the following additional actions they took: flexible work day sharing, reimbursing lunches, and tuition reimbursement.

Exhibit 28: Efforts undertaken to improve recruiting & retention of clinical staff (% of respondents)

To improve retention/recruiting, most respondents increased wages and offered bonuses



Source: BofA Global Research survey

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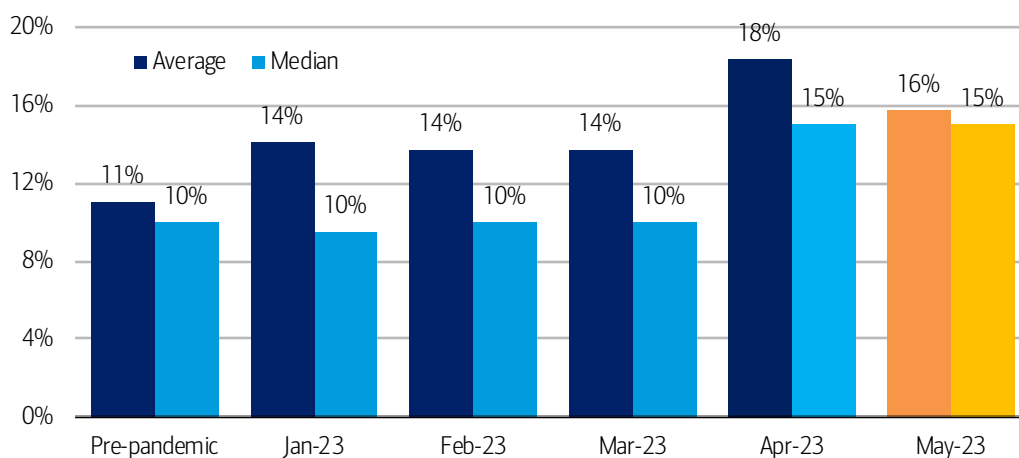
Clinical staff turnover higher in Q2 vs Q1, well above pre-pandemic

What was the turnover of your clinical staff in May 2023 and pre-pandemic (2019)?

In January 2023, we began asking respondents about their clinical staff turnover. On average, respondents reported clinical staff turnover at 16% in our May survey, well above the 11% clinical staff turnover before the pandemic. The turnover ratio improved compared to 18% in the April survey, but Q2 average is tracking above 14% avg in 1Q23. Median clinical staff turnover in May (15%) was also well above 10% turnover pre-pandemic.

Exhibit 29: Clinical staff turnover (%)

On average, respondents saw clinical staff turnover at 16% in May, above 11% pre-pandemic (2019)



Source: BofA Global Research survey

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Most of the recently hired nurses come from home health & hospitals

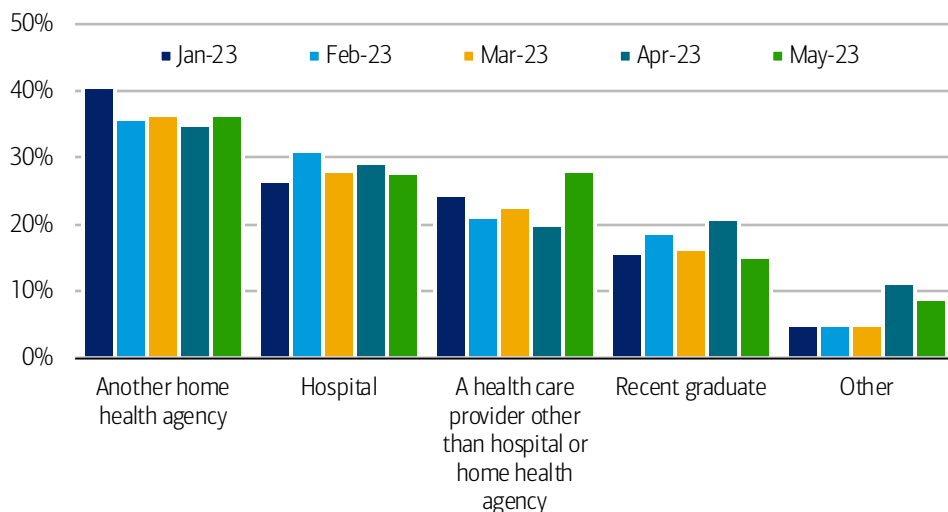
Please provide an approximate breakdown (%) of nurses you hired over the last few months by the area they came from (prior employment)?

In January 2023, we began asking respondents about the breakdown of previous employers for nurses that were recently hired (last few months). In our May survey, on average, respondents reported most of recently hired nurses have been coming from

other home health agencies (36% of nurses), followed by hospitals (28% of nurses) and other non-hospital/non-home-health-agency healthcare providers (28% of nurses). 15% of nurses, on average, that were recently recruited are recent graduates, while 9% of nurses were hired from other types of employers. Of note, compared to our prior survey, a higher % of hires came from non-hospital/non-home-health-agency healthcare providers, and fewer were recent graduates.

Exhibit 30: Previous employer of recently hired nurses (% of nurses)

About 36% of recently hired nurses came from another home health agency and 28% came from a hospital



Source: BofA Global Research survey

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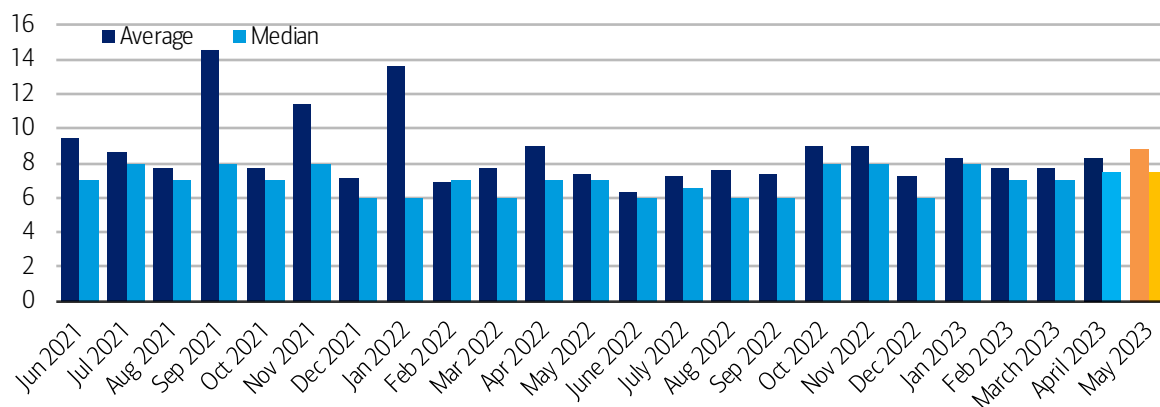
VPE was 8.8 in May 2023, above the 8.3 in 2019

What was the average number of visits per episode in May 2023?

We also asked agencies about the number of visits per episode (VPE). In our May survey, the average number of VPE was 8.8 (median of 7.5), above 8.3 in our previous survey. Respondents saw a wide distribution of VPE this month, ranging from 2 to 18. Of note, the median number of tele-visits per episode was 2.0.

Exhibit 31: Number of visits per episode

In the May 2023 survey, the avg number of visits per episode was 8.8, above 8.3 in April 2023



Source: BofA Global Research survey

COVID-19 impact

We asked a series of questions about how the pandemic impacts operations and admission trends in home health agencies.

About 54% of patients come to home health from a hospital, 22% from SNFs

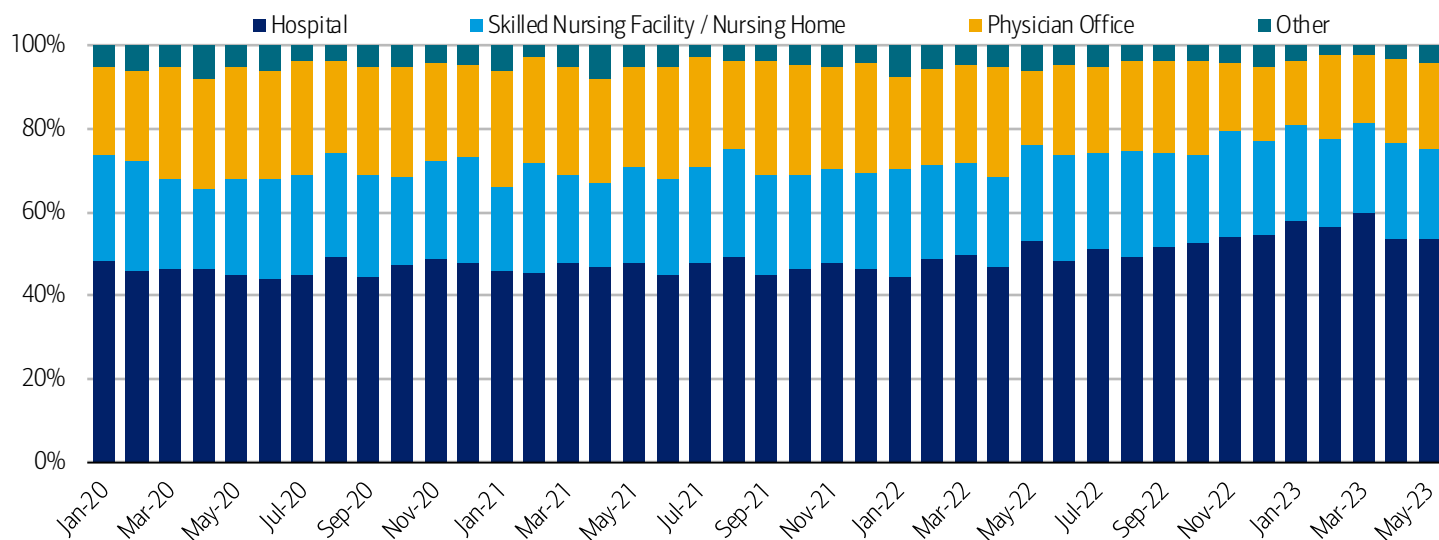
Please provide a percentage (%) of your home health patients that came from the following settings in May 2023 and May 2022.

We asked respondents to estimate a percentage of home health patients coming from different settings. Comparing to the prior year's mix, more patients came from a hospital (54% vs 53% last year), more came from a physician office (20% vs 18% prior year), while fewer came from Skilled Nursing Facilities (SNFs) or nursing homes (22% vs 23% year ago), and fewer came from other settings, such as assisted living, internet searches or insurance contracts (4% vs 6% a year ago).

Compared to the last month's survey, the same % of patients came from Hospitals (54%), less came from Nursing homes (22% vs 23% prior month), and the same % came from Physician offices (20%).

Exhibit 32: Admission source of home health patients

In May compared to Apr, the share of patients coming from Hospitals is the same, the share coming from doctor's offices was also unchanged



Source: BofA Global Research survey.

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Fewer see patients being diverted from SNFs to home health

Do you think you are getting more patients that previously would have been discharged to a skilled nursing facility?

About 50% of respondents believe they are getting more patients that previously would have been discharged to a SNF. This is below 68% in our April survey and below 70% in the summer months of 2022. Those who are seeing this trend noted:

- Lack of insurance coverage for skilled care/LTC
- Family request and Direct to home discharges
- Care is more focused and needful
- There is a shortage of SNFs in my area

Meanwhile, the 50% of respondents who are not seeing this trend noted:

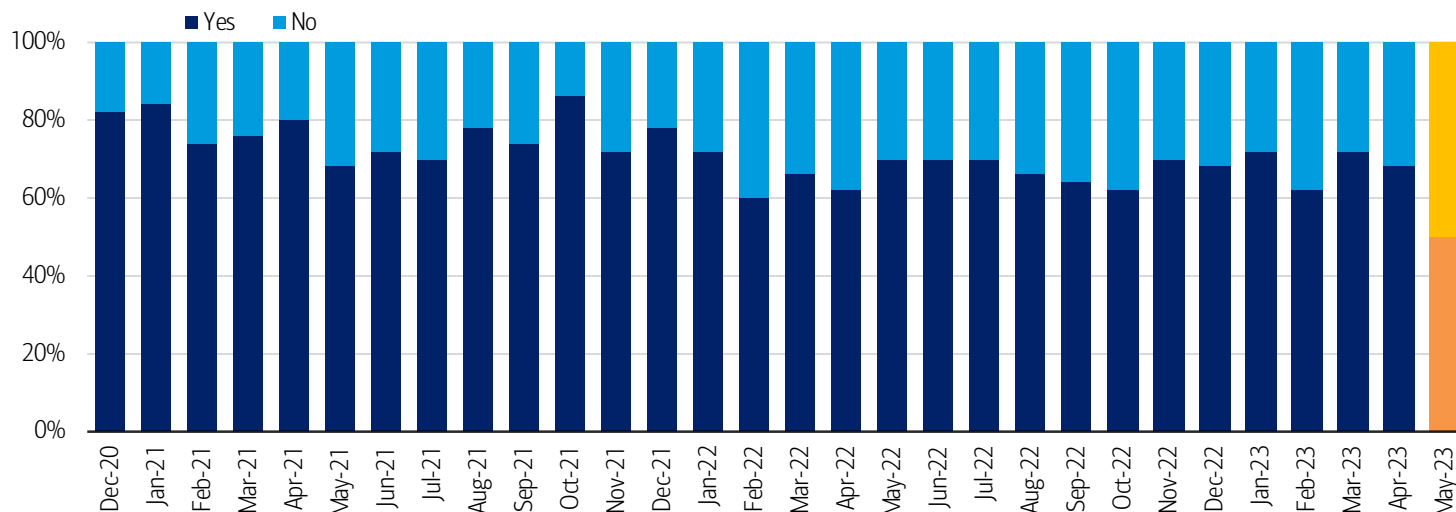
- COVID is over



- Our referral sources are unchanged during the prior 12 months
- SNF facilities continue to accept patients, but there are patients who require ICF level of care that are unable to be in nursing facilities due to closures, staffing concerns

Exhibit 33: Responses to a question about SNF diversion

About half of respondents believe they're seeing patients that previously would have gone to SNFs



Source: BofA Global Research survey

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VBC expected to be a bigger part of revenues

What % of your revenues comes from value-based contracts in 2022? What % of your revenues do you expect to come from value-based contracts in 3-5 years?

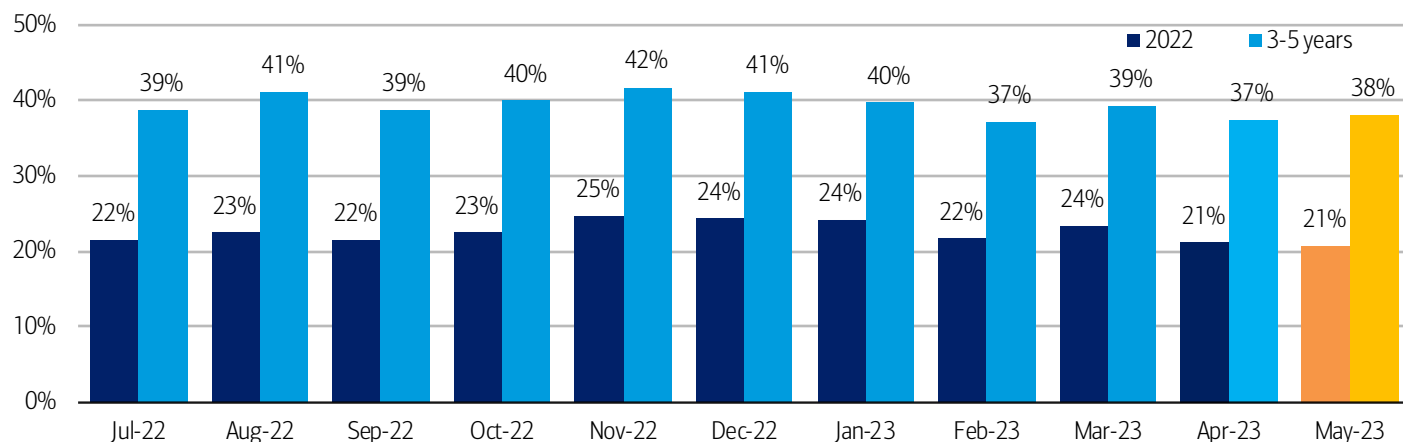
In the July 2022 survey we started asking our survey respondents what share of their revenues are coming from value-based contracts (VBC) in 2022 and what share of their revenues they expect to come from VBC in 3-5 years.

In May 2023, 72% of respondents saw less than 25% of their revenues coming from VBC (in line with 72% in the prior survey), 18% of respondents saw between 25%-50% (above the 16% in the prior survey). On a weighted average basis, respondents reported 21% of their revenues from VBC in 2022, in line with the 21% in our prior survey.

In 3-5 years, 26% of respondents expect less than 25% of their revenues to come from VBC (below 34% in the prior survey), 42% of respondents expect between 25%-50% (above 32% in the prior survey). Cumulatively, 68% expect no more than 50% from VBC in 3-5 years, which is above the 66% in the prior survey. On a weighted average basis, respondents expect 38% of revenues from VBC in the next 3-5 years, slightly above 37% in the prior survey.

Exhibit 34: Respondents expect VBC to be a bigger share of revs in the future, 38% vs 21% in 2022

Weighted average share of revenues coming from value-based contracts

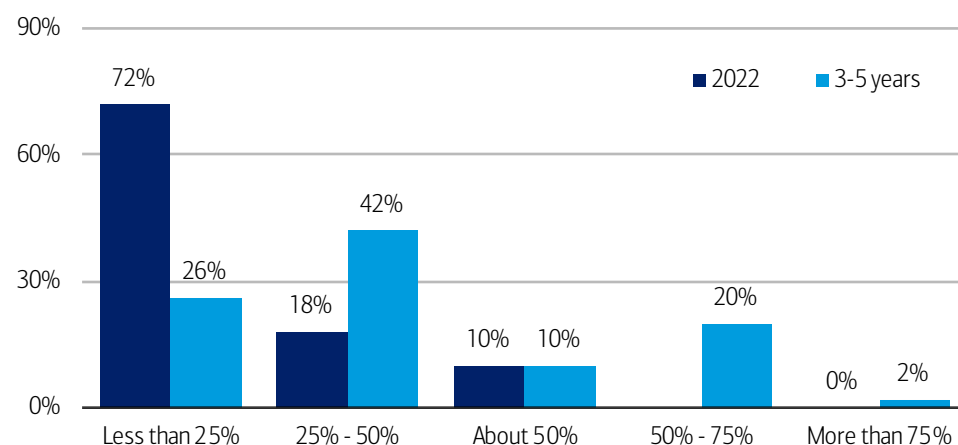


Source: BofA Global Research survey

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Exhibit 35: Share of revenues coming from value-based contracts

Majority saw less than 25% of their revenues coming from value-based contracts in 2022



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Hospice volume trends

66% of our survey's respondents also provide hospice services. We asked those respondents to provide stats on hospice admits, length of stay, and average daily census.

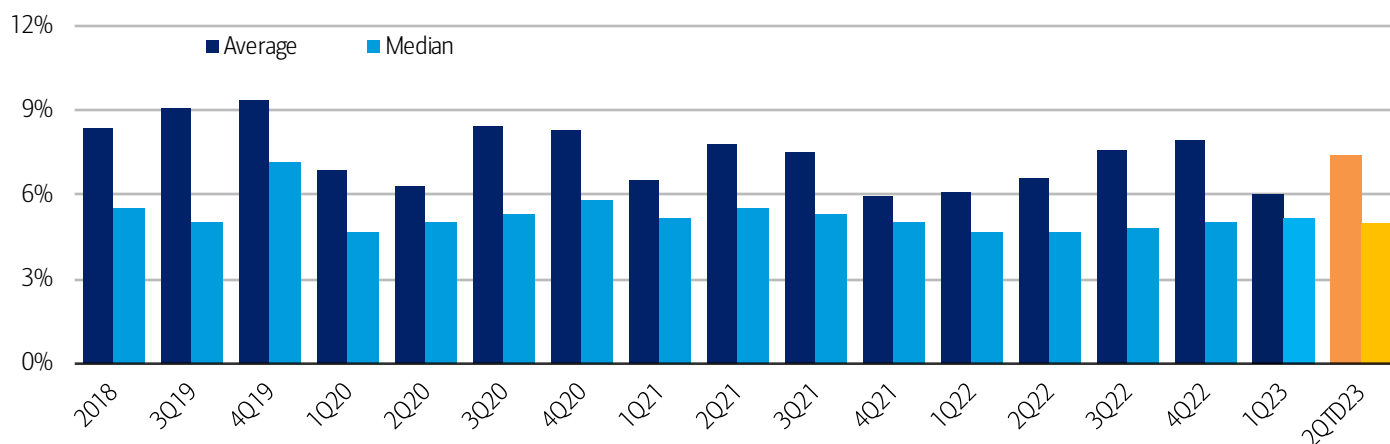
Hospice admissions accelerated in May, Q2 tracking above 1Q23

Please describe (quantify % change) actual hospice admissions year-over-year, at your agency at each of the following points in time.

At the agencies in our survey that provide hospice, organic hospice admissions increased +7.9% y/y in May (median of +5.0%), which is an acceleration from +6.9% in April 2023. 2Q23 is tracking at +7.4%, above +6.0% in 1Q23. The median of +5.0% was in line with what we saw in April.

Exhibit 36: Quarterly trends in average organic hospice admits growth y/y

Hospice admit growth in 2QTD tracking above 1Q23 levels

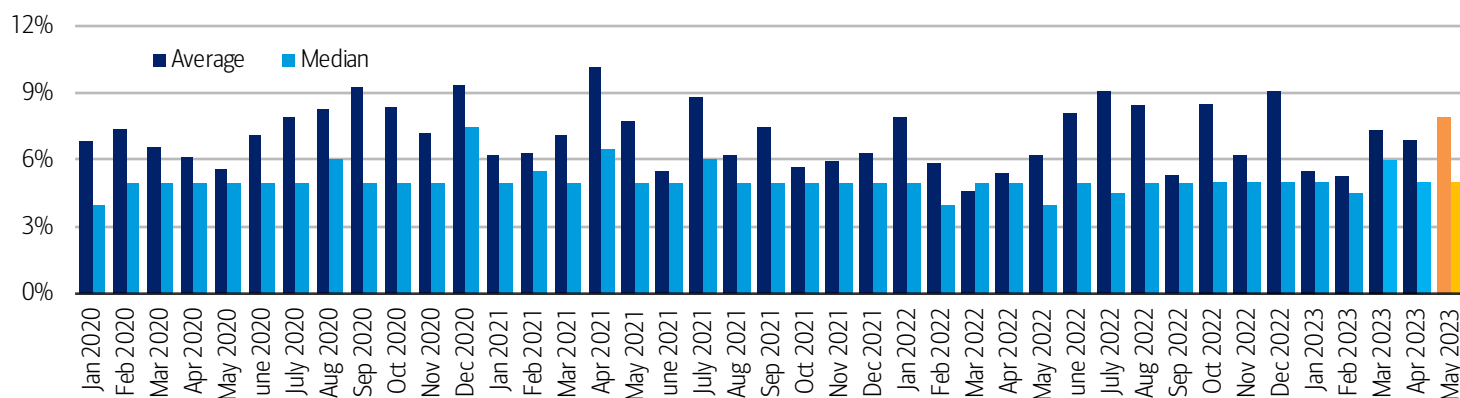


Source: BofA Global Research survey

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Exhibit 37: Monthly trends in average organic hospice admits growth y/y

Avg hospice admission growth accelerated in May from April



Source: BofA Global Research survey

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Hospice LOS increased +4.5% in May on avg, median growth +3.0%

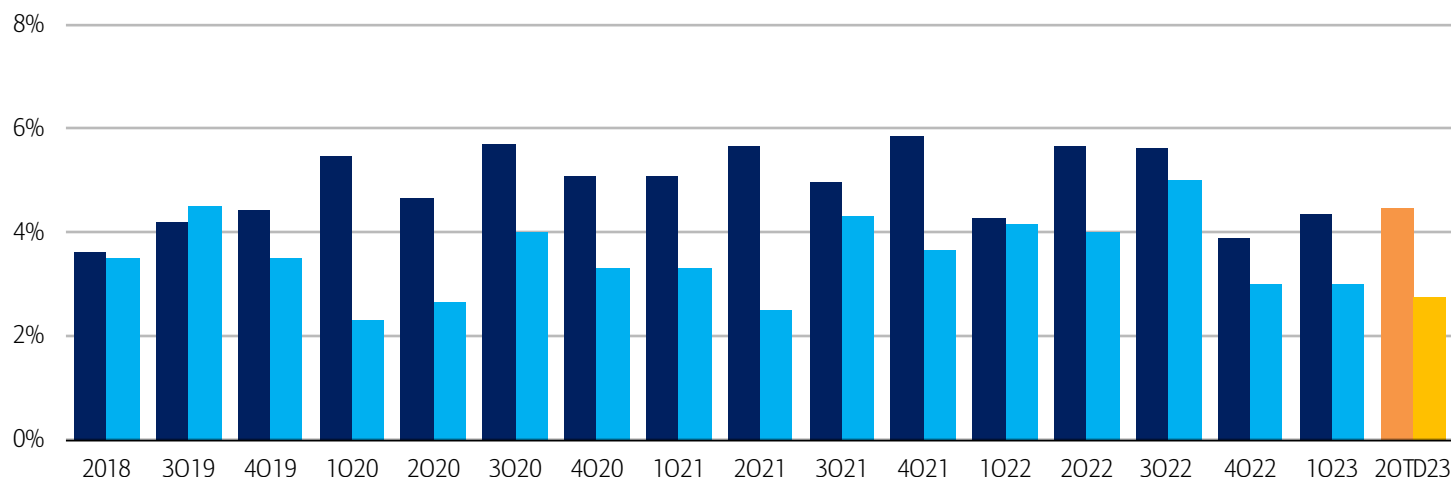
Please describe (quantify % change) actual hospice length of stay year-over-year, at your agency at each of the following points in time.

Length of stay (LOS) is another metric that we track for hospice as an indicator for average census. The average industry LOS increased 0.7% per year in 2000-2019 and was up 4.8% y/y in 2020 but declined 5.1% y/y in 2021 (the most recent data from the MedPAC 2023 Report).

According to our survey, on average, LOS increased +4.5% y/y in May, after growing +4.5% in April. The 2QTD23 average growth is tracking at +4.5% and is above the +4.4% y/y growth in 1Q23. Meanwhile, the median growth in LOS of 3.0% was above the result in April survey.

Exhibit 38: Quarterly Organic HH Growth (Hospice length of stay)

Average LOS growth in 2QTD23 tracking slightly above 1Q23

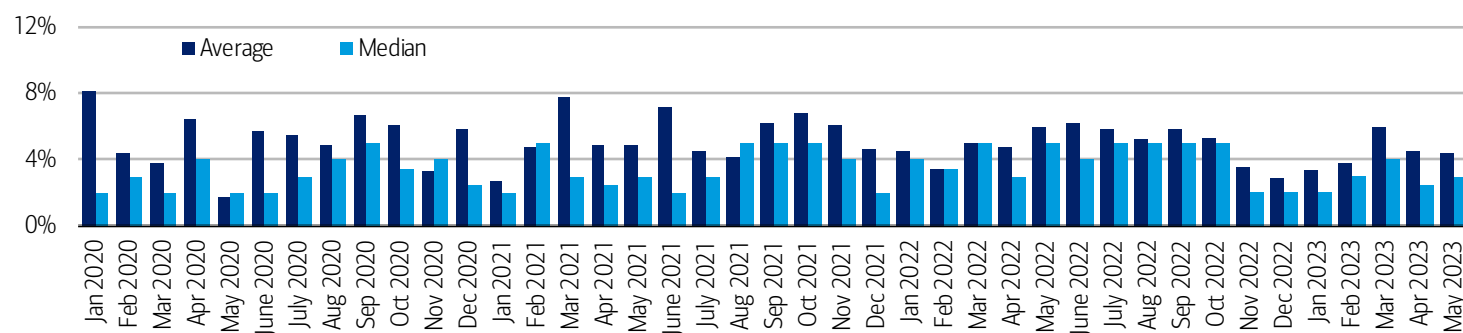


Source: BofA Global Research survey

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Exhibit 39: Organic Hospice Growth (Hospice length of stay)

Average LOS increased +4.5% in May, in line with April



Source: BofA Global Research survey

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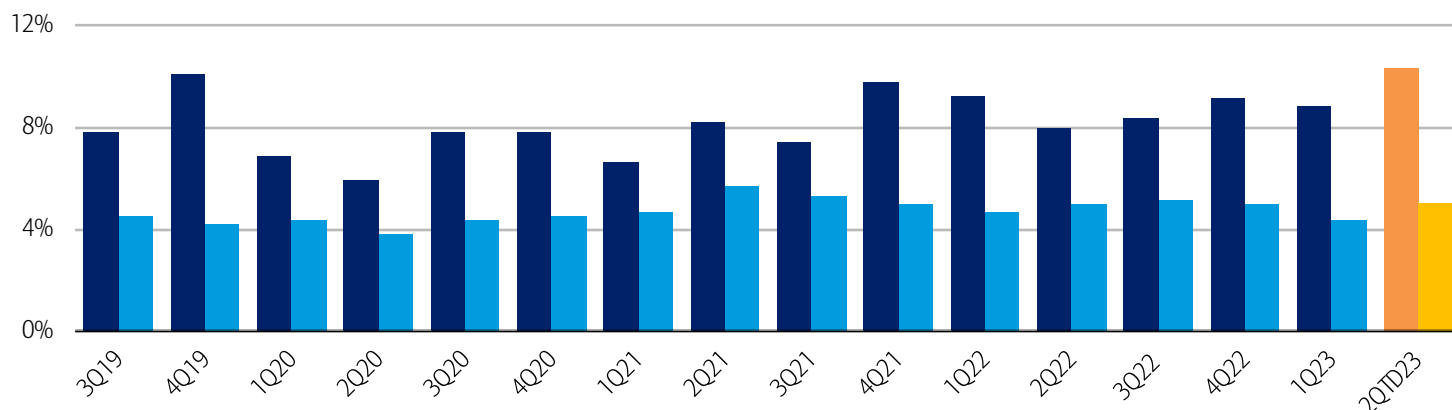
Organic Hospice ADC growth accelerated in May, Q2 tracking above 1Q23

Please describe (quantify % change) actual hospice average daily census year-over-year, at your agency at each of the following points in time.

On average, the organic average daily census (ADC) y/y growth was +12.1% y/y in May, an acceleration from the prior month (+8.5% y/y in April). The 2Q23 average growth is tracking at +10.3% y/y, above +8.8% y/y in 1Q23. The growth is currently above the trends observed in 2020. Median growth of +5.0% in May was in line with the median growth we saw in April.

Exhibit 40: Organic Hospice Average Daily Census y/y growth (Quarterly)

Organic census growth in 2QTD23 tracking above 1Q23

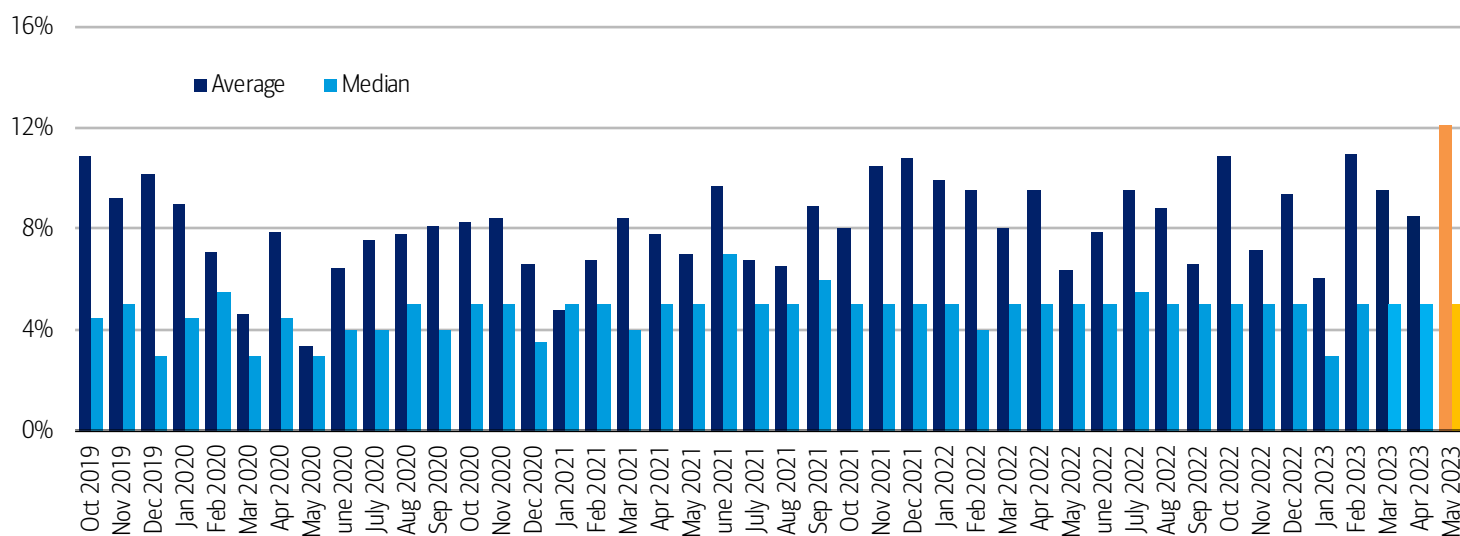


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Exhibit 41: Organic Hospice Average Daily Census y/y growth (Monthly)

Organic census growth in May below April



Source: BofA Global Research survey

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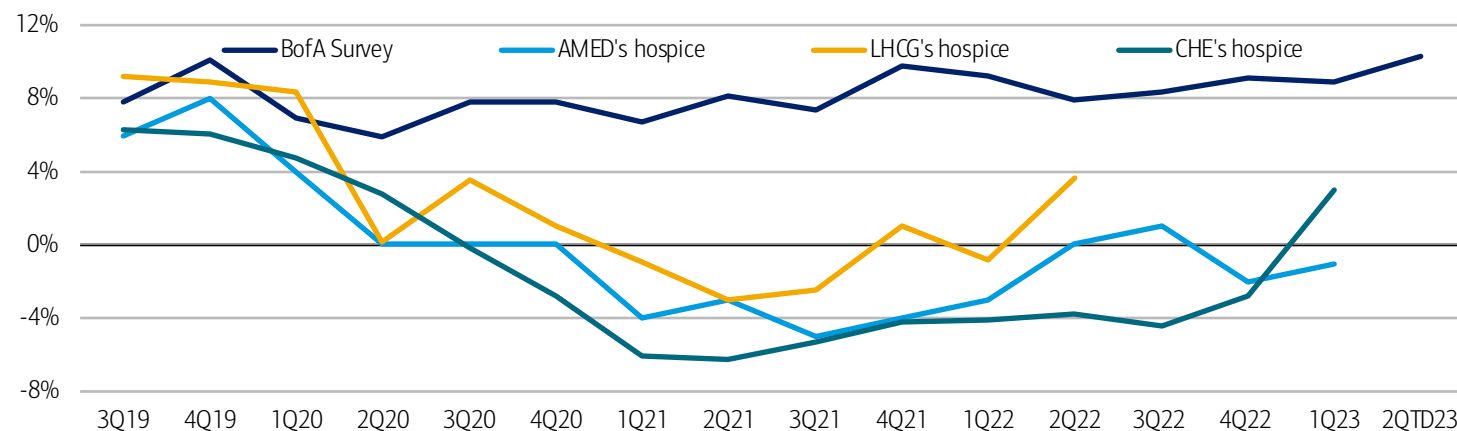
Surveys imply hospice vols to accelerate in Q2

The hospice trends captured by our BofA Survey are not strongly correlated with the growth reported by the publicly traded companies, CHE, AMED and LHCG. However, recently the survey results have been directionally consistent with the company prints. For example, the survey pointed to 4Q21 ADC growth accelerating from 3Q21 growth, and companies reported ADC growth improved in Q4 from Q3. Similarly, the surveys pointed to growth slowing down to +9.2% in 1Q22 from +9.8% in 4Q21, and LHCG and CHE reported volume trends worsening to stable Q/Q. The surveys pointed to growth accelerating to +8.3% in 3Q22 from +7.9% in 2Q22. Although CHE hospice ADC growth slightly worsened in 3Q22, AMED's positive ADC growth in the quarter was directionally consistent with the survey.

The 4Q22 and 1Q23 data was not strongly correlated: surveys showed acceleration in Q4 while AMED's census decelerated, and CHE's census accelerated in 4Q22. The surveys implied a deceleration in 1Q23 while the companies both saw accelerated census growth. The recent surveys show an acceleration in 2QTD23 from 1Q23.

Exhibit 42: AMED, LHCG, CHE Hospice ADC y/y growth vs BofA surveys

Surveys imply ADC growth is accelerating in 2QTD23 vs 1Q23



Source: BofA Global Research survey, Company reports

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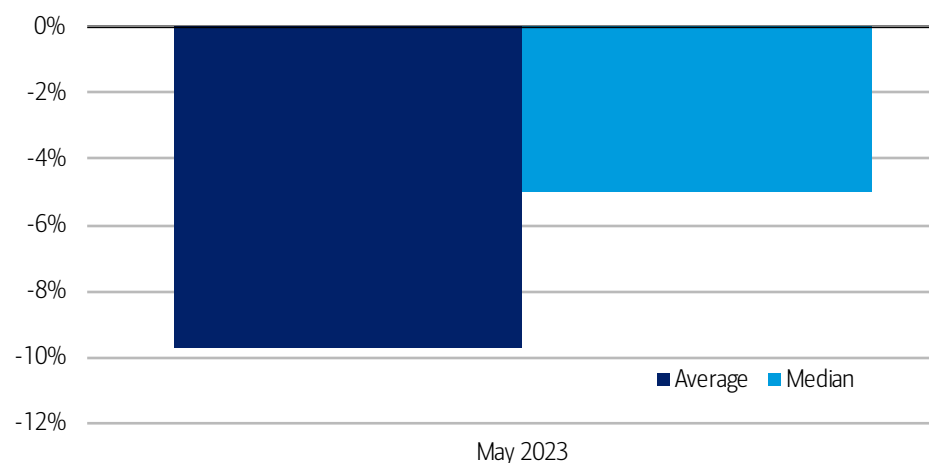
Hospice MA rate 10% below FFS in May 2023*What is your average Medicare Advantage rate vs. Medicare Fee-for-service rate?*

In the May 2023 survey, we started asking our survey respondents who provide hospice services whether they contract with a Medicare Advantage (MA) health plan for the provision of hospice services (under the hospice carve-in demo) and what is the average MA rate vs. Medicare Fee-for-service (FFS) rate in those contracts.

As of May 2023, 52% of hospice providers in the survey contract with an MA health plan for the provision of hospice services. These respondents reported the average daily rate for MA was 10% less than the average daily rate for Medicare FFS, with a median of -5%. The reported discounts ranged from 2% to 30%, so there are some providers that are seeing rates well below FFS while others are virtually in-line. The 10% average discount reported by the hospice providers is better than the 20% discount reported for Home Health in this month's survey.

Exhibit 43: Average hospice rate for Medicare Advantage vs. Medicare Fee-for-service

Hospice MA rates are -10% below FFS as of May 2023



Source: BofA Global Research survey

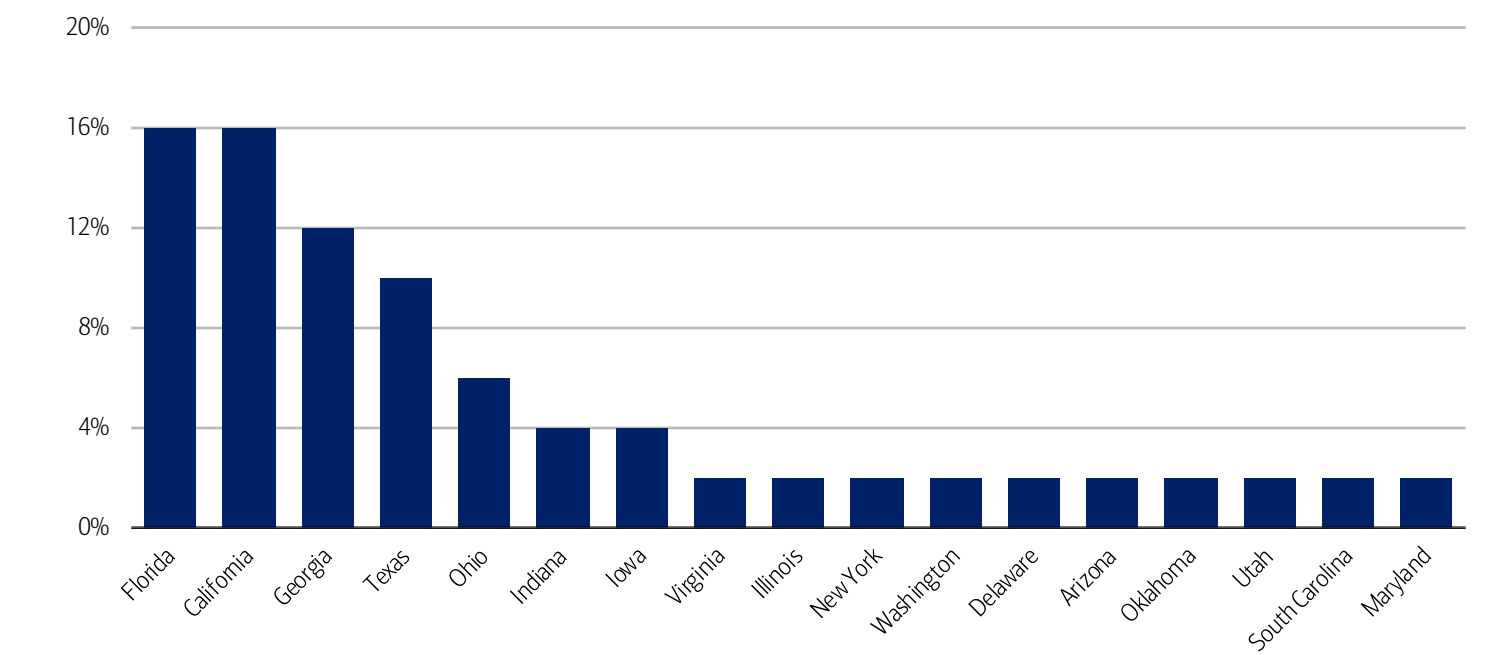
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Appendix

Survey respondents came from 22 states in total, with CA, FL, TX and GA being the most represented.



Exhibit 44: Regional distribution of survey respondents
42% our respondents are from the key states of CA, FL and TX



Source: BofA Global Research survey

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Exhibit 45: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ADUS	ADUS US	Addus	US\$ 92.21	B-1-9
AMED	AMED US	Amedisys, Inc.	US\$ 91.2	-6-
AVAH	AVAH US	Aveanna Healthcare	US\$ 1.49	C-3-9
CHE	CHE US	Chemed	US\$ 543.35	B-1-7
EHAB	EHAB US	Enhabit	US\$ 12.18	C-3-9
UNH	UNH US	UnitedHealth Grp	US\$ 465.89	B-1-7

Source: BofA Global Research

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Disclosures

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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