Home Health

Survey: Q1 Home Health, Hospice vols decelerated, labor outlook worsened

Industry Overview

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Equity
United States
HC Facilities

BofA Data Analytics

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HH = home health

ADC = average daily census

LOS = Length of stay

LHCG = LHC Group

Q1 vols tracking below Q4, labor outlook worsened

Our surveys indicate home health vols and hospice census decelerated so far in Q1 from Q4. The impact to vols from labor shortages improved and the use of temp staff in Q1 is tracking better than Q4. However, the outlook for wages and total labor costs in 2023 worsened vs our prior survey. While respondents expect labor cost growth to decelerate in 2023, it is expected to grow 7.5% y/y, well above +0.7% Medicare rates. Meanwhile, Medicare Advantage continues to outpace Medicare volume growth and the average rate delta worsened in the latest survey.

Outlook for wages, total labor worsened vs prior survey

The outlook for labor worsened but respondents expect cost growth in 2023 to decelerate vs 2022. Agencies expect wage growth of +6.4% y/y in 2023, worse than +5.2% in our prior survey. Total labor costs (including contract labor) are expected to increase +7.5% y/y in 2023, worse than +6.4% in our Jan. survey. In a positive, respondents expect deceleration from 2022 trends (wages +9.5%, total labor +9.5%). Staff turnover worsened to 15% vs 14% in our prior survey, above 9% pre-COVID.

Labor shortages less of a headwind, pressure persists

42% of respondents limited admits due to labor shortages in February, better than 48% in our Jan survey. On average, 14% of patients were not admitted due to shortages, in line with our prior survey, and above the Dec survey.

Temp staff use stable m/m, Q1 tracking better than Q4

About 13% of hours were provided by temp labor (more expensive) in Feb., in line with our Jan survey with Q1 tracking better than 15% in 4Q22 – still, this is well above 6% in 2019. The outlook for the need to rely on temp labor has been generally improving: 22% expect the use to rise, down from 36% in July 2022.

HH vol growth decelerated m/m; Q1 tracking below Q4

Organic HH volumes (admissions + recertifications) decelerated in February 2023 to +12.1% y/y, and 1Q23 is tracking at +12.9%, below +14.6% in 4Q22.

MA grows faster than FFS, rate discount got worse

So far in Q1, Medicare Advantage (MA) admissions grew faster than Medicare, +10.5% y/y vs +7.2% for fee-for-service (FFS). As per the Feb. survey, MA rate is 18% below FFS, worse than the recent surveys.

VBC expected to be about 40% of revs in 3-5 yrs

On a weighted average basis, respondents reported 22% of revenues from value-based care (VBC) in 2022; expect 37% from VBC in the next 3-5 years (40% in prior survey).

Hospice ADC, admit growth decelerated in Q1 from Q4

Organic hospice ADC accelerated in Feb from Jan (+11.0% vs. +6.1%) but 1Q23 is tracking at +8.1%, below +9.1% in 4Q22. Admission growth in Feb was below Jan. (+5.3% vs. +5.5%), and 1Q23 is tracking at+5.4%, below +7.9% in 4Q22.

LHC Group best positioned in our survey

Our survey results are most relevant for AMED, EHAB and LHC Group (now owned by UNH) as most of their revenues come from home health and hospice. Hospice results are the most relevant for CHE (56% of revs) and AMED (36% of revs), followed by ADUS (22% of revs).

Exhibit 1: Exposure to Home health and hospice – Revenue mix as % of total revs, as of 4Q22
Our survey is most relevant for EHAB, ADUS, and AMED, also applicable for CHE

Category	AMED	EHAB	ADUS	CHE
Home Health	**61%**	**80%**	**5%**	**-**
Hospice	**35%**	**20%**	**20%**	**56%**
Personal Care	3%	-	74%	-
Other	-	0%	-	44%

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, LHC Group, and EHAB based on their exposure to the 20 states (% of centers in each state). This survey's results are most relevant for EHAB as the 20 states included in the survey cover 59% of home health agencies operated by the company. Meanwhile, the survey covers 44% of the agencies operated by AMED and 43% for LHCG.

LHC Group (now owned by UNH) is the most exposed to the positive trends reported by our respondents on a weighted average basis this month, as Exhibit 2 shows.

Exhibit 2: Company exposure to Home Health Organic Volume (admits + recertifications) Average y/y growth in February 2023
LHCG is best positioned in this survey, with +13.8% weighted avg growth in its markets in February

State	# of agencies	Feb '23 Organic Vols Y/Y Average	Company exposure (% of agencies) AMED	LHCG	EHAB
California	8	7.5%	1.2%	0.4%	0.0%
Colorado	1	4.0%	0.0%	0.9%	2.4%
Delaware	1	15.0%	0.6%	0.0%	0.0%
Florida	8	27.5%	5.5%	10.7%	8.3%
Georgia	4	9.5%	18.2%	3.5%	8.3%
Illinois	3	4.0%	0.9%	3.3%	1.2%
Indiana	2	13.0%	1.8%	2.4%	0.4%
Iowa	1	5.0%	0.0%	0.0%	0.0%
Kansas	1	40.0%	0.0%	0.0%	1.6%
Louisiana	2	14.0%	2.7%	7.0%	0.4%
Maryland	1	5.0%	2.7%	1.8%	1.2%
Minnesota	1	4.0%	0.0%	0.0%	0.0%
New Hampshire	1	0.0%	0.9%	0.2%	0.0%
New York	1	4.0%	1.5%	0.9%	0.0%
Ohio	4	14.5%	0.3%	3.3%	0.4%
Oklahoma	1	5.0%	1.8%	0.9%	7.5%
Texas	6	8.3%	1.2%	3.3%	20.2%
Utah	1	20.0%	0.0%	0.0%	2.4%
Virginia	1	10.0%	3.9%	2.2%	4.4%
Washington	2	1.5%	0.6%	2.0%	0.4%
Total	50		43.9%	42.9%	59.1%
Weighted Average		**12.1%**	**11.2%**	**13.8%**	**12.0%**

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

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Home health/hospice survey

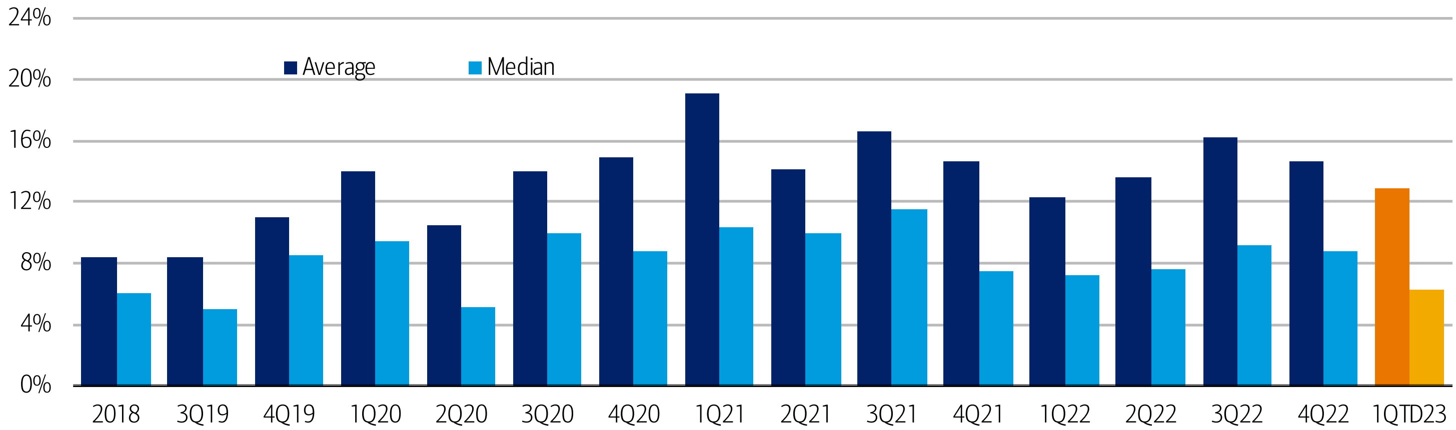
We surveyed 50 home health agencies in 20 states. We focused on the most populous states with 16% of respondents based in CA, 16% in FL and 12% in TX - see Exhibit 45 for a full breakout.

Organic home health vols decelerated in February, 1Q23 tracking below 4Q22

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 +12.1% y/y (median of +5.0%) in February. This is a deceleration from +13.6% in January and +14.3% in December. 1Q23 growth is tracking at +12.9% so far, which is below +14.6% in 4Q22, and below +16.3% y/y in 3Q22. Median growth of +5.0% this month was below with the median growth we saw in January.

Exhibit 3: Quarterly trends in average organic home health volume (admissions + recertifications)
Home health vols continue to grow faster than prior to pandemic



Source: BofA Global Research survey

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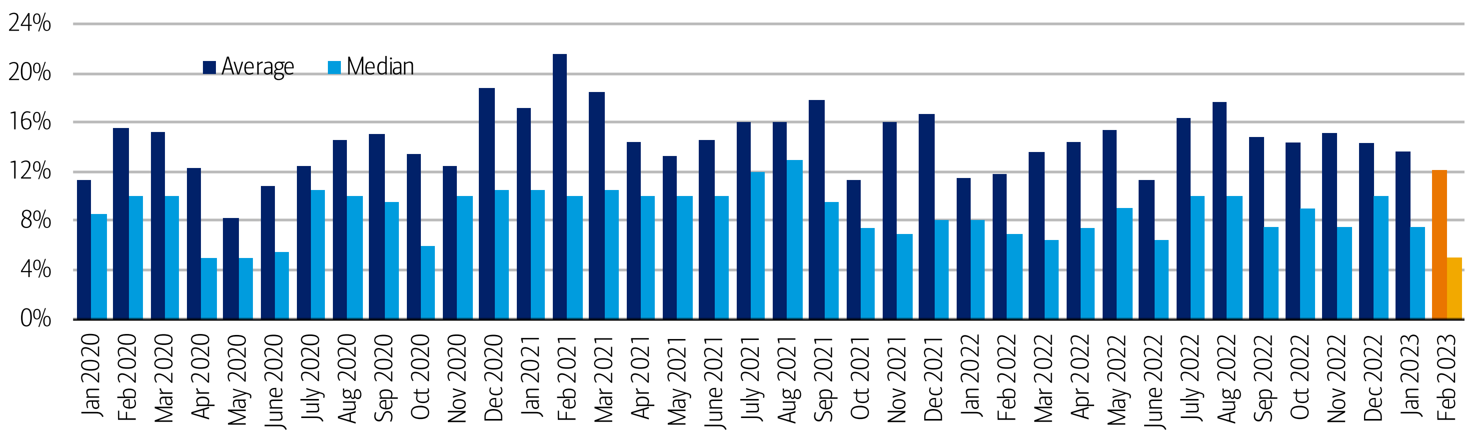
Exhibit 4: Monthly trends in organic home health volume (admissions + recertifications)
February volumes were on average below the growth in January and above pre-pandemic trends



Source: BofA Global Research survey

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Surveys directionally consistent with company trends

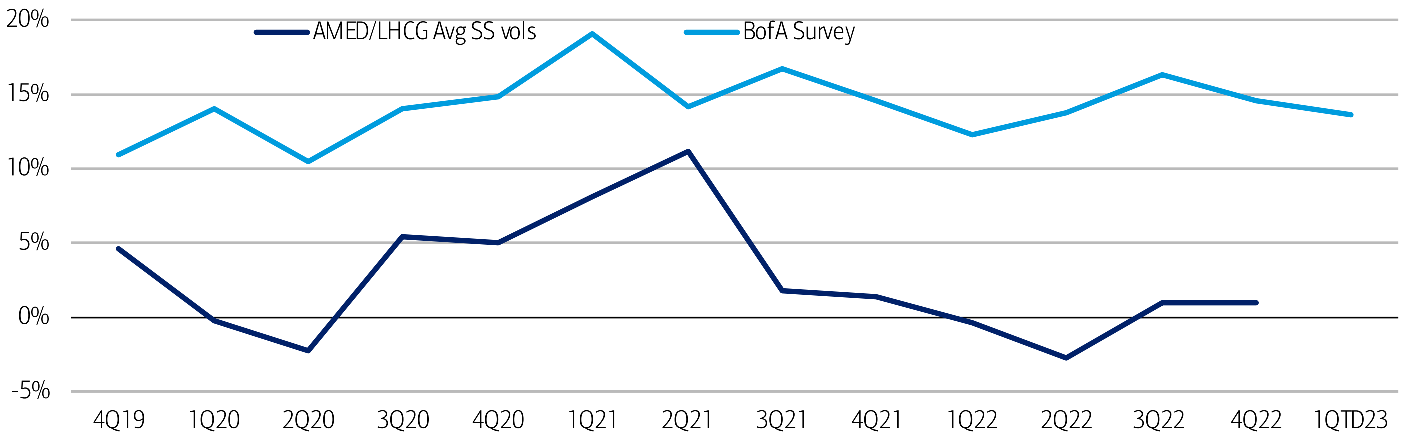
While our BofA survey results for total home health volume trends are only modestly correlated with the average same store volumes at the publicly traded companies, AMED and LHCG (now owned by UNH), the changes are useful to assess the direction of trends.

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 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%) 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. 1Q23 is tracking below 4Q22 and 3Q22.

Exhibit 5: AMED/LHCG home health same store volumes avg vs BofA survey's home health volumes % chg
As per Surveys, Q4 vols decelerated from Q3 and 1Q23 further decelerating from Q4



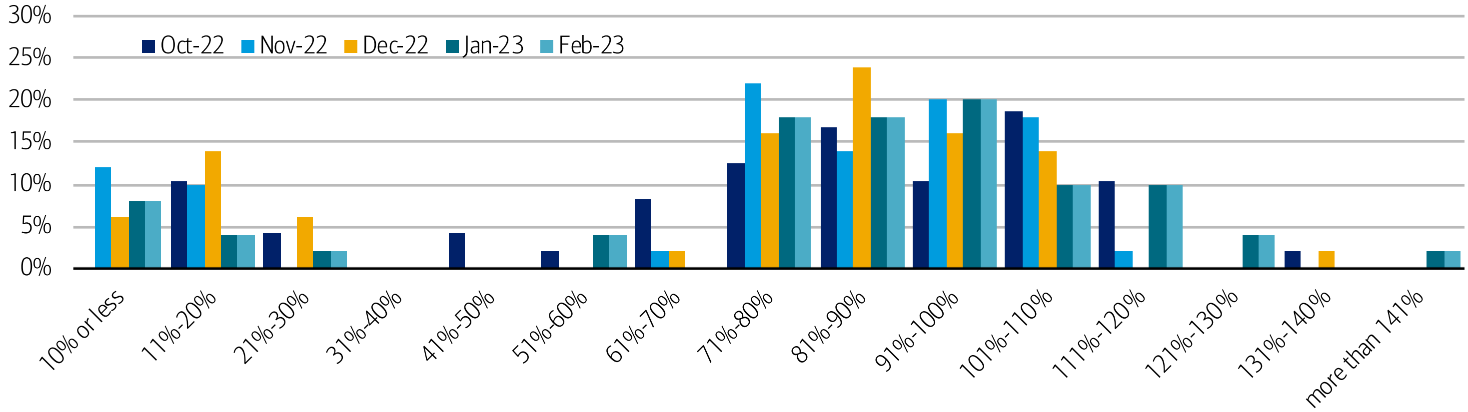
Source: BofA Global Research survey, Company reports

BofA GLOBAL RESEARCH

Census is tracking below 2019 levels

We added a question in September 2022 where we asked respondents how census compares to 2019 levels. In February 2023, on average, respondents said their census is now at 85% of the 2019 levels, ranging from 0% to 200%. This is better than the average of 80% we saw in January. Of note, 26% of respondents said their census is above 2019 levels compared to 22% 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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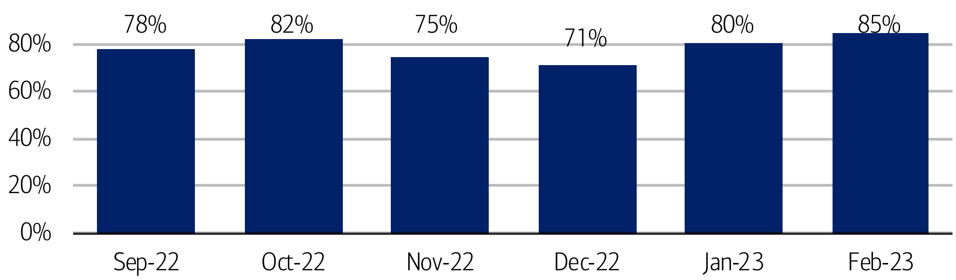
Generally, the view of census recovery to pre-COVID levels deteriorated over time. This month, it improved compared to results in the prior month.

Exhibit 7: Respondents' census is at 85% of 2019 levels, above the Jan and Dec averages
Average of respondents' census as a percentage of 2019



Source: BofA Global Research survey

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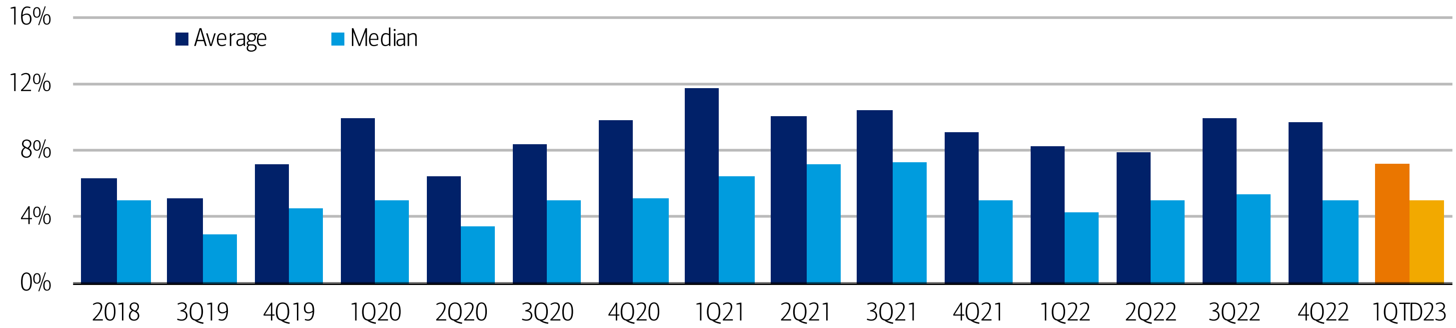
Medicare admission growth decelerated in February, 1Q23 below 4Q22

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 +7.1% in February 2023, decelerating from +7.3% y/y in January. So far in 1Q23, Medicare vols are up +7.2%, below the +9.7% growth in Q4. 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 January.

Exhibit 8: Quarterly trends in average organic home health Medicare admissions y/y growth
Medicare admits growth in 1Q23 is tracking below 4Q22



Source: BofA Global Research survey

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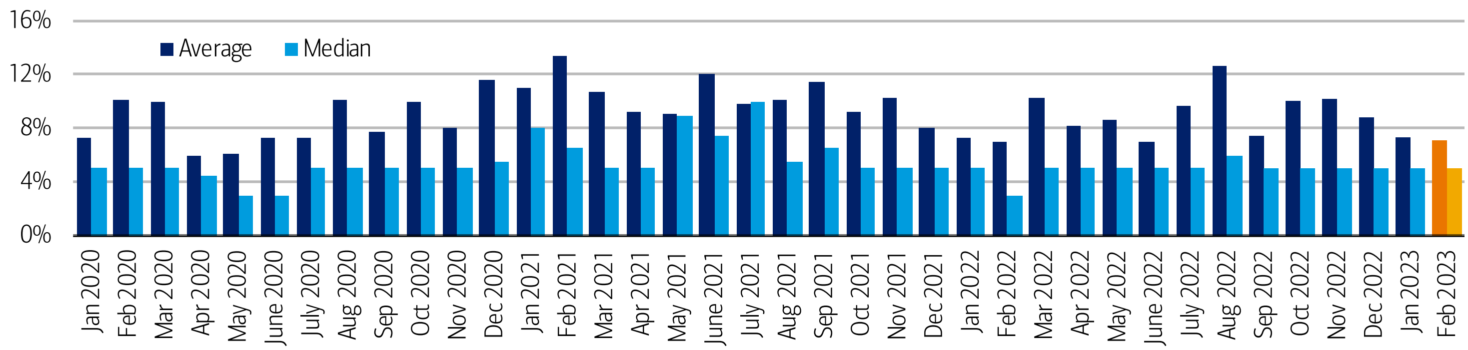
Exhibit 9: Monthly trends in organic home health Medicare admissions y/y growth
Medicare admissions growth decelerated -20bps m/m in February but is above trends observed prior to the pandemic



Source: BofA Global Research survey

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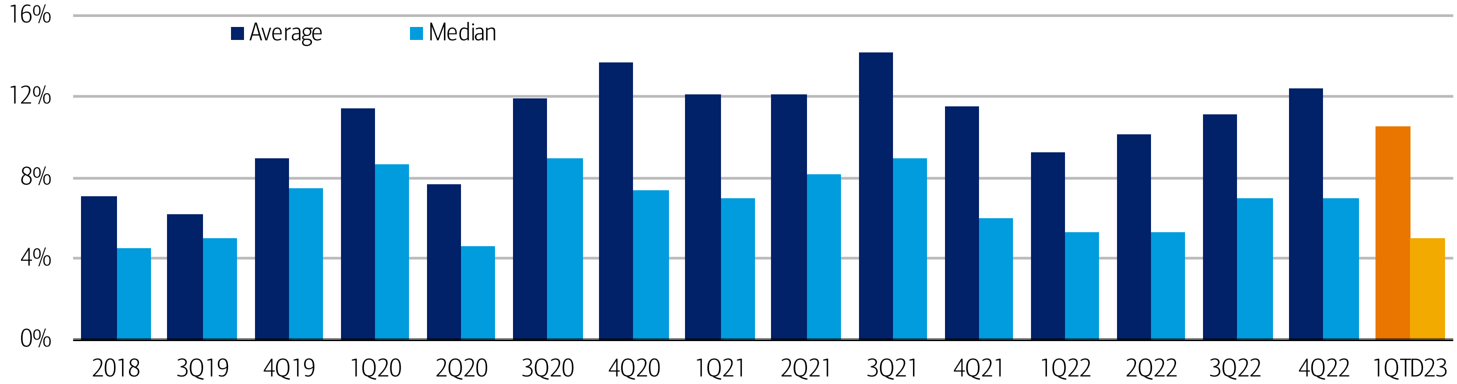
MA admits accelerated slightly m/m in February, 1QTD below Q4

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 +10.6% y/y in February 2023, slightly above the 10.5% y/y growth in January but below the 12.2% y/y growth in December. 1QTD is tracking at +10.5% y/y, below the 4Q22 growth of 12.4%. But this growth is generally above the trends observed prior to pandemic. The median of +5.0% was in line with the median growth we saw in December.

Of note, this month's average MA growth is +350bps above the Medicare volume growth, continuing with the trend we have seen in prior months.

Exhibit 10: Quarterly trends in average organic home health MA admits y/y growth
Avg MA admission growth decelerated in 1QTD



Source: BofA Global Research survey

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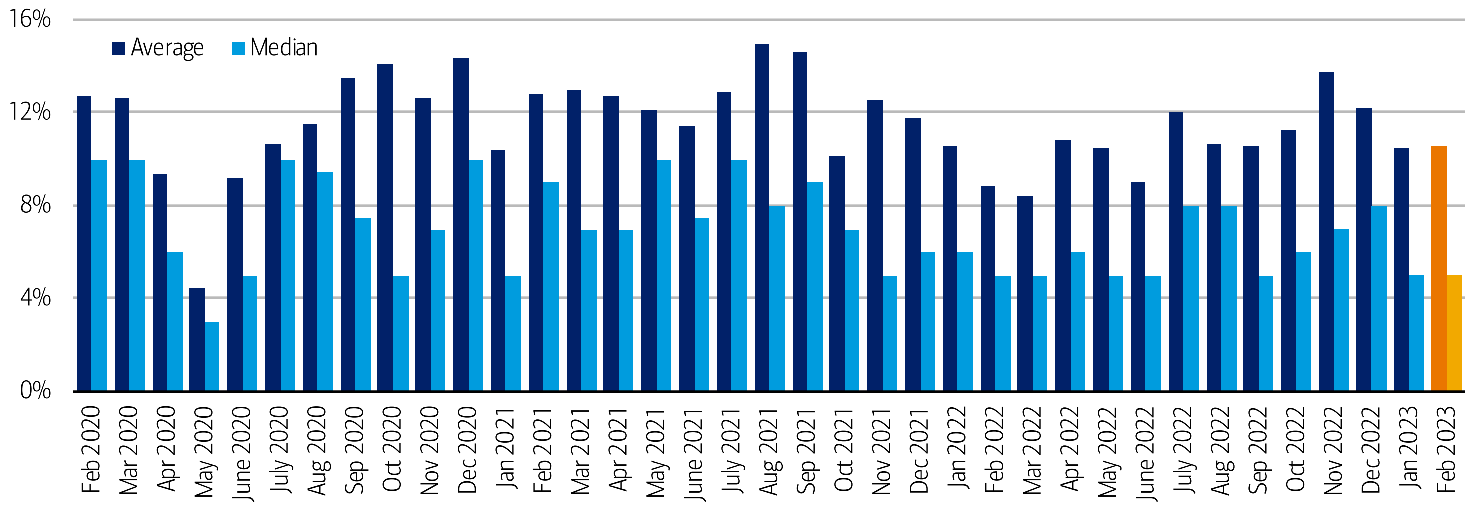
Exhibit 11: Monthly trends in average organic home health MA admits y/y growth
Medicare Advantage admission growth in Feb. was slightly above the growth in Jan.



Source: BofA Global Research survey

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MA accounts for 42% of home health patients, below last month

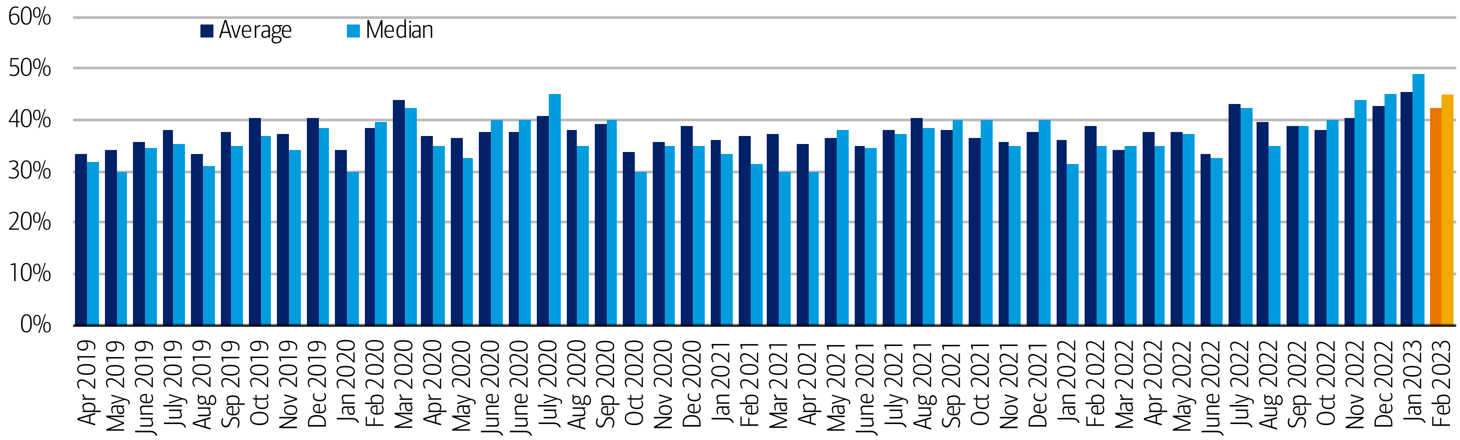
What percentage of your home health patients are/were on Medicare Advantage at each of the following points in time, if any?

On average, Medicare Advantage (MA) accounted for 42% of our respondents' home health patients as of February 2023, below the 45% in January but above the 39% in our February 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 42% of home health patients are in MA plans



Source: BofA Global Research survey

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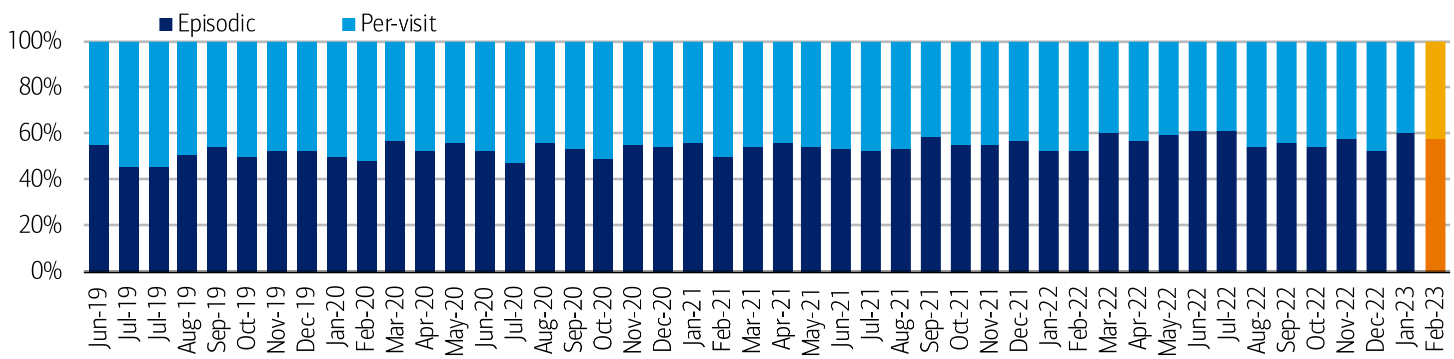
58% of MA admits are being paid on an episodic basis

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 February 2023, 58% of MA admissions on average are paid on an episodic basis as per our survey. This is above the 53% a year ago, and above the 50% range observed through 2019 on average. The remaining 42% of MA admits are paid on a per visit basis.

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

58% of MA admissions are paid on an episodic basis as of February 2023, above 50% on avg in 2019



Source: BofA Global Research survey

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MA rate 18% below FFS in February 2023

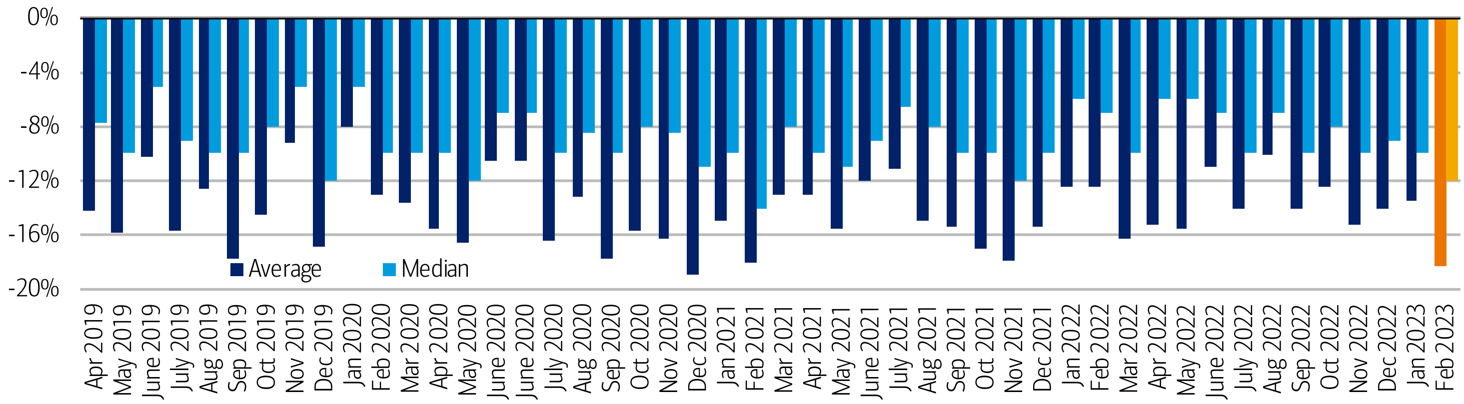
What is the difference between the average rate per visit for Medicare Advantage vs. Medicare Fee-for-service for your agency?

72% of respondents said their MA rate per visit is below the comparable FFS rate, above the 70% commentary from the publicly traded companies. Meanwhile, the remaining 28% of respondents said their MA rate per visit was above the comparable FFS rate with the premium ranging from +1% to +30% among respondents.

As of February 2023, MA rates per visit are 18% below Medicare FFS rates on average, with a median 12% discount to FFS rates. This average discount is higher than the value a year ago (12% discount). The 18% discount in February 2023 is worse than the 13% discount we surveyed in January.

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 -18% on average as of February 2023



Source: BofA Global Research survey

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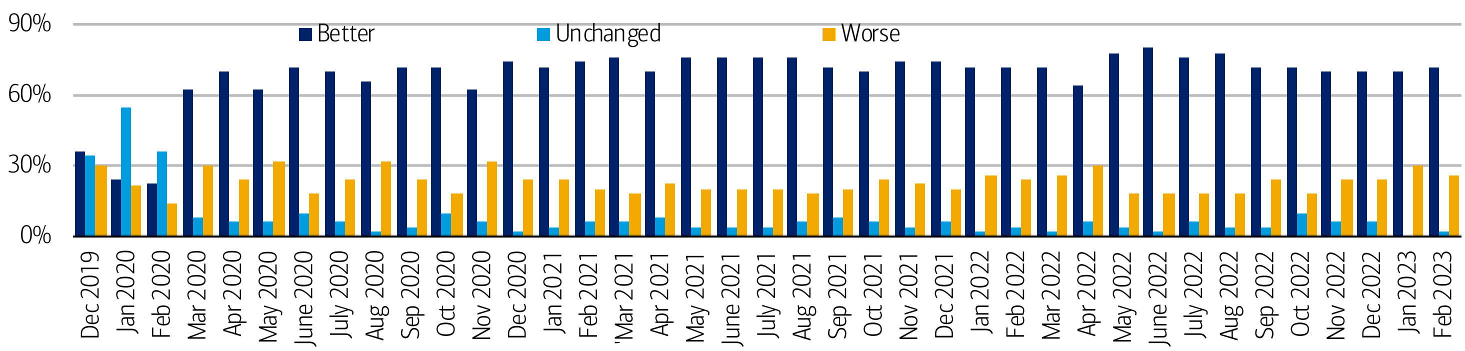
72% of agencies saw MA vs FFS rate gap improving

This month, 72% of respondents said the delta between the MA rate and FFS rate improved year over year, while 28% said the delta worsened.

The percentage of those who think the rate is improving above what we saw in our January survey. The % who think the rate is unchanged was above the result of last month and the % who think it worsened was below last month. That said, it is important to note that this is the 31st straight survey in which over half of respondents said the rates were improving.

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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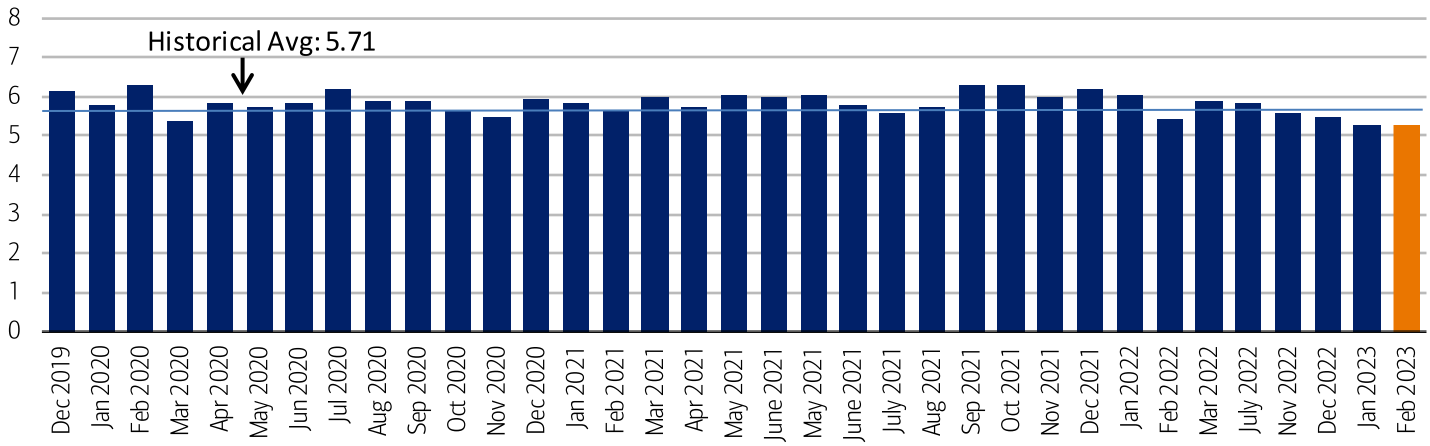
Industry consolidation expected to be slightly above average

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'.

On average, agencies rate the pace of consolidation activity at 5.3 implying expectations for consolidation activity to be above average (5 is the average), but below the historical average of the survey responses. This is in line with the 5.3 avg in our prior survey. 8% of respondents expect robust (selected "10") consolidation activity; meanwhile, 40% 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

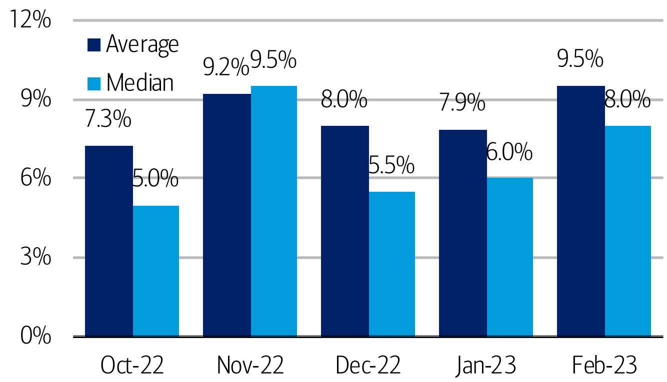
What year-over-year percentage change in wages did you experience in 2022 vs. 2021, and what are you expecting in 2023 vs 2022?

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 February survey, agencies saw an average +9.5% y/y increase in wages in 2022. This is 160bps above the y/y increase agencies saw in our Jan 2022 survey. Meanwhile, agencies expect wage inflation in 2023 to be below 2022 at +6.4% y/y in 2023. The outlook worsened: now expect +6.4% y/y in 2023, worse than the +5.2% in our Feb survey.

Exhibit 17: Wage growth in 2022
On average, wages increased +10% y/y in 2022



Source: BofA Global Research Survey
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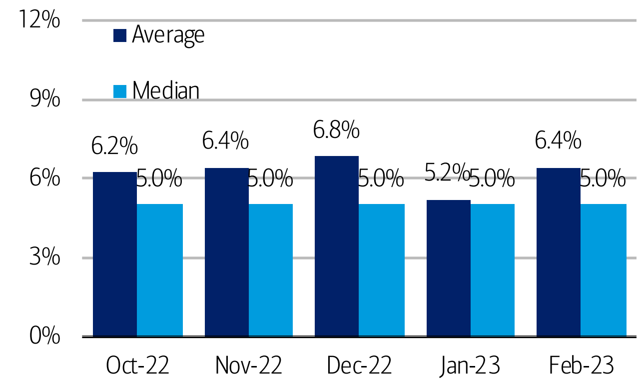
Exhibit 18: Wage outlook for 2023
Wage growth to accelerate in 2023 (+6.4% y/y) from +10% growth in 2022



Source: BofA Global Research Survey
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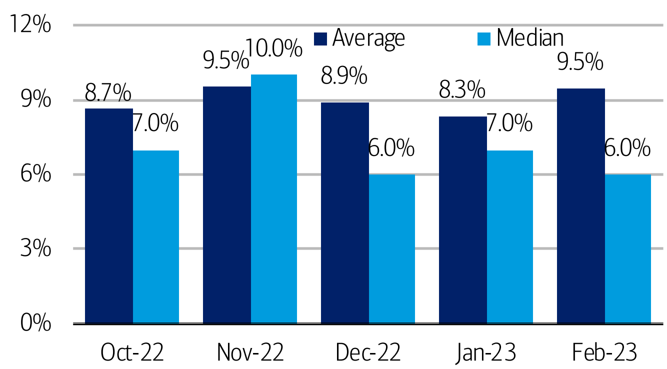
Meanwhile, agencies experience labor costs (wages and contract labor) growth of +9.5% y/y in 2022. This is worse than the +8.3% labor cost growth agencies saw in our Jan. survey.

Similar to the wage inflation outlook for 2023, respondents expect labor cost growth to decelerate in 2023. The average outlook is for +7.5% labor cost growth, below the +9.5% experienced in 2022. The 2023 labor cost outlook also worsened: +7.5% expected, worse than the +6.4% average expected in our January survey.

Exhibit 19: Labor cost growth in 2022
Labor costs to increase +9.5% y/y in 2022



Source: BofA Global Research Survey
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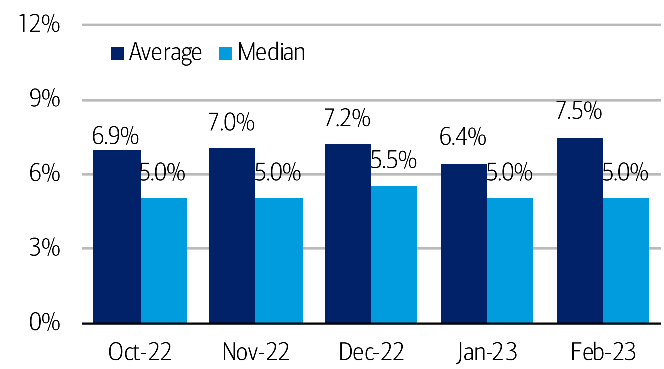
Exhibit 20: Labor cost outlook for 2023
Labor cost growth to decelerate in 2023 to +8% y/y from +10% in 2022



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"

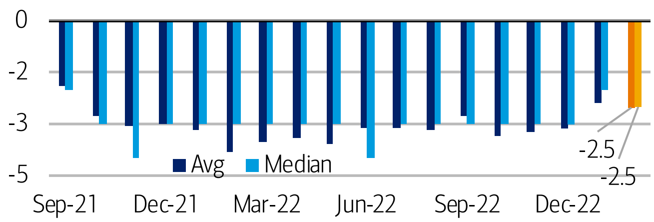
We asked how the labor shortages/cost pressures are expected to impact margins and the volume growth next year. On average, respondents expect a negative impact to margins next year with the average impact of -2.5 on a scale from -10 (*significantly negative impact*) to +10 (*significantly positive impact*) with a median of -2.5. 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.

In our February survey, on average, respondents expect a negative impact to volumes next year with the average impact of -1.0 (median of -1.0) on a scale from -10 to +10. The responses ranged from -10 to +10. 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 (-2.5) was worse vs the prior survey where the avg impact to margins was expected to be -2.4 (median of -2.0). The impact to volumes (-1.0) was better than the -1.5 average in the prior survey (the median of -1.0 was in line with the prior survey.)

Some of the respondents who do not expect labor shortages to have a negative impact to volumes said that labor shortages were accounted and planned for, while others believe that staffing has normalized and their levels are sufficient to service returning volumes.

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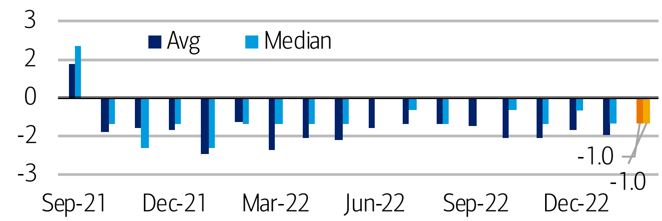
Exhibit 22: Labor cost impact to volumes next year on a scale from -10 (significantly negative) to +10 (significantly positive)
Respondents expect some pressure to volumes



Source: BofA Global Research survey

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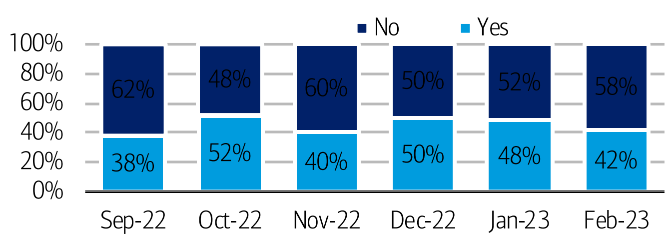
Fewer respondents limited admits due to labor shortages, 14% of admits lost

In September 2022, we began asking our respondents if they had to limit admissions because of labor shortage. In February 2023, 42% of respondents said they had to limit admissions because of labor shortages, better than 48% in prior survey (and better than 50% in Dec survey). The remaining 58% affirmed they did not limit vols, better than 52% in the prior survey.

On average, 14% of patients were not admitted due to shortages, ranging from 1% to 25%. This is in line with the 14% average in our Jan. survey but worse than our Dec. survey.

Exhibit 23: About 42% 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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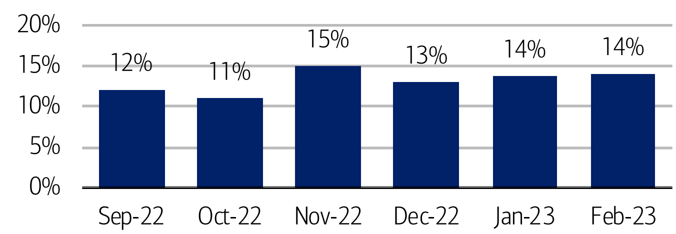
Exhibit 24: % of lost admits due to shortages was in line vs Jan.
Average % of patients not admitted due to labor shortages



Source: BofA Global Research survey

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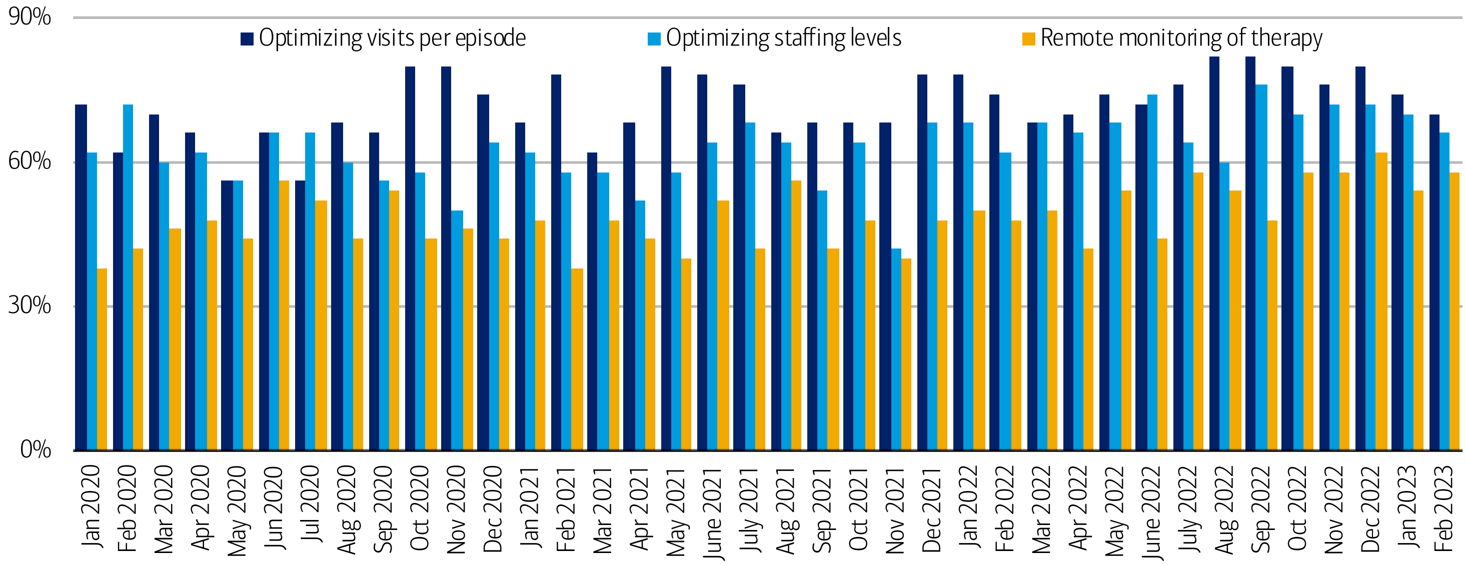
Majority looking to optimize visits and staffing levels to offset headwinds

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 70% of respondents, lower than our January survey. In February, 66% of respondents selected optimizing staffing levels as a main area of focus, below the 70% in January. Meanwhile, about 58% of respondents plan to use remote monitoring of therapy (above the 54% in our January survey) signaling a shift away from visit per episode/staffing optimization cost savings and toward 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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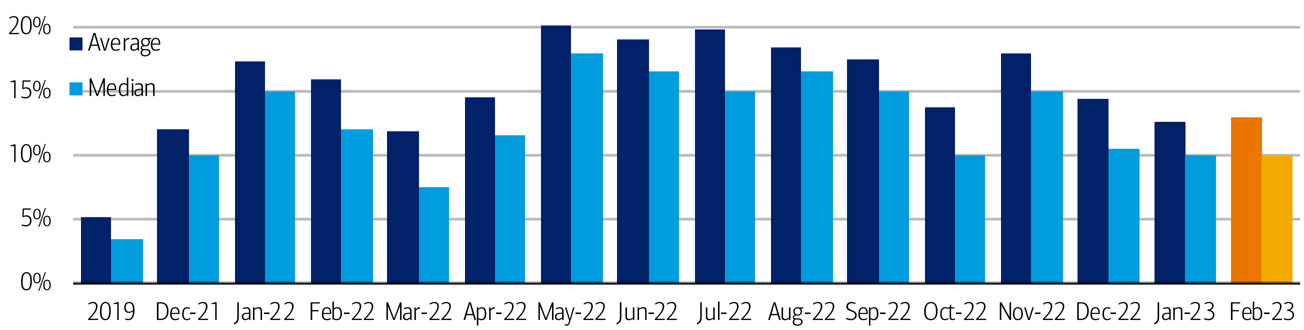
The use of temp labor was unchanged in Feb, still well above 2019 levels

What share of hours of Home health care provided to patients were filled by contracted or temporary staff in: a) January 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 worsened in April and further in May as a higher percentage of respondents used agency labor. Meanwhile, trends were generally improving since the peak in May 2022.

On average, respondents said that 13% of hours provided in February 2023 was temp labor, ranging from 0 to 40%. This is in line with the 13% of hours filled with temp labor in the January 2023 survey (ranging from 0 to 40%). Q1 average is tracking better than 15% average in 4Q22. 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 February '23, in line with 13% in January 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 improved vs prior survey

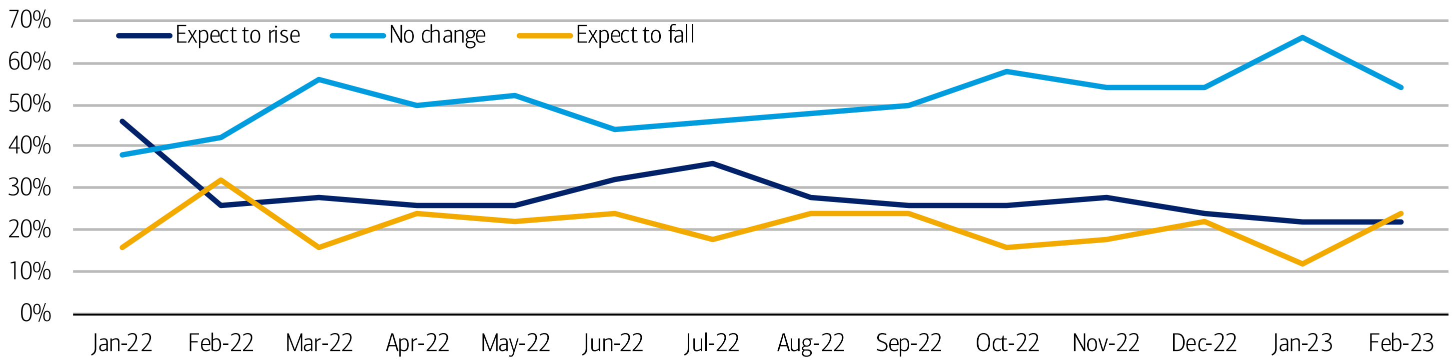
Do you expect the use of contracted/temp staff to rise or fall in the next 3 months?

In our February 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, 24% of respondents are expecting the use to fall, better than 12% in the prior survey. The remaining 54% are expecting no change, below the 66% 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.

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

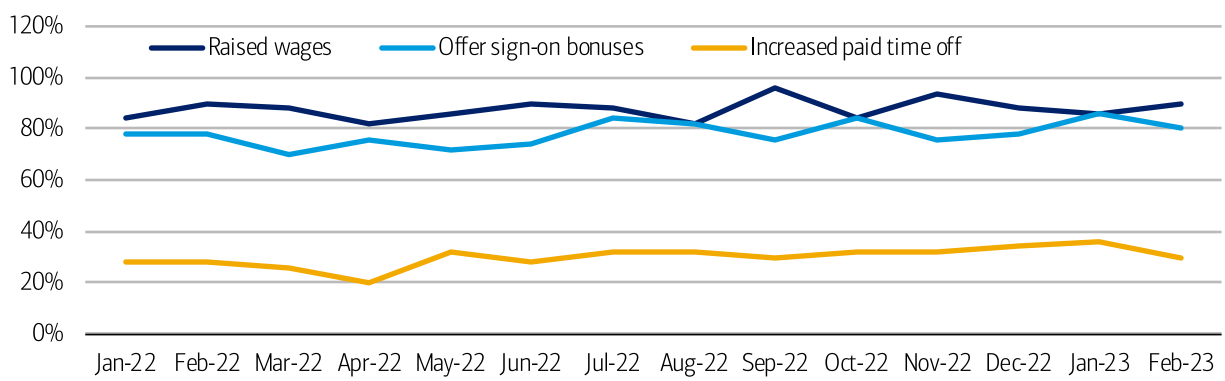
What efforts have you taken recently to improve recruiting and retention of clinical staff?

We also asked respondents about the efforts they have recently undertaken in order to improve recruiting and retention of clinical staff. 90% increased wages, above the 86% in the prior survey. 80% of respondents said they are offering sign-on bonuses, below 86% in the January survey. Lastly, 30% increased paid time off, below the 36% in our prior survey and generally in line with levels seen in 2022.

Respondents noted the following additional actions they took: Increase options for remote work/telehealth, tuition reimbursement, and increased referral bonuses.

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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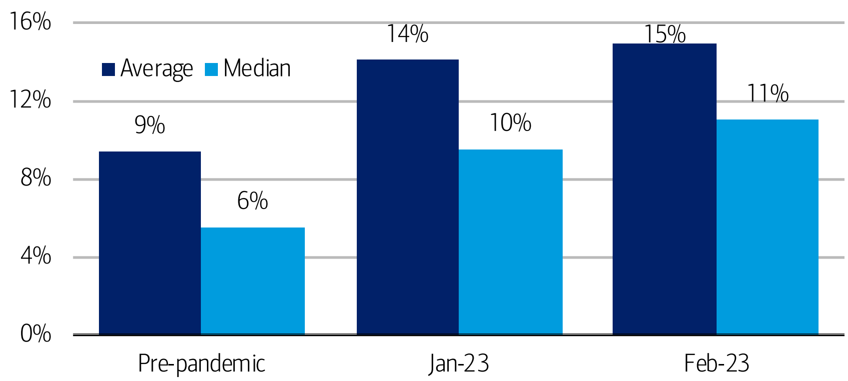
Clinical staff turnover worse, and well above pre-pandemic

What was the turnover of your clinical staff in February 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 15% in our February survey, well above the 9% clinical staff turnover before the pandemic. The turnover ratio worsened compared to 14% in the January survey. Median clinical staff turnover in February (11%) was also well above 6% turnover pre-pandemic.

Exhibit 29: Clinical staff turnover (%)
On average, respondents saw clinical staff turnover at 15% in February, above 9% pre-pandemic (2019)



Source: BofA Global Research survey

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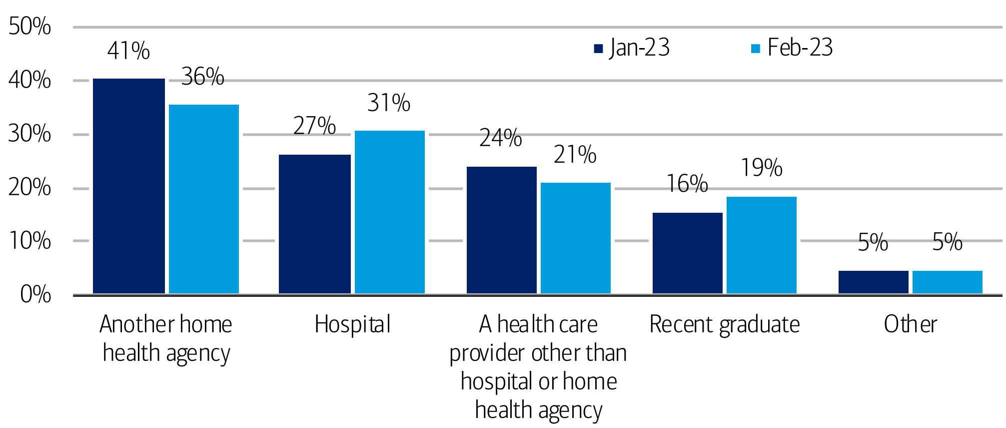
Most recently hired nurses come from other home health agencies or hospitals

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 February survey, on average, respondents reported most of recently hired nurses have been coming from other home health agencies (36% of nurses), followed by hospitals (31% of nurses) and other non-hospital/non-home-health-agency healthcare providers (21% of nurses). 19% of nurses, on average, that were recently recruited are recent graduates, while 5% of nurses were hired from other types of employers. Of note, compared to our prior survey, a bigger % of hires came from hospitals and more were recent graduates.

Exhibit 30: Previous employer of recently hired nurses (% of nurses)
About 40% of recently hired nurses came from another home health agency and 30% came from a hospital



Source: BofA Global Research survey

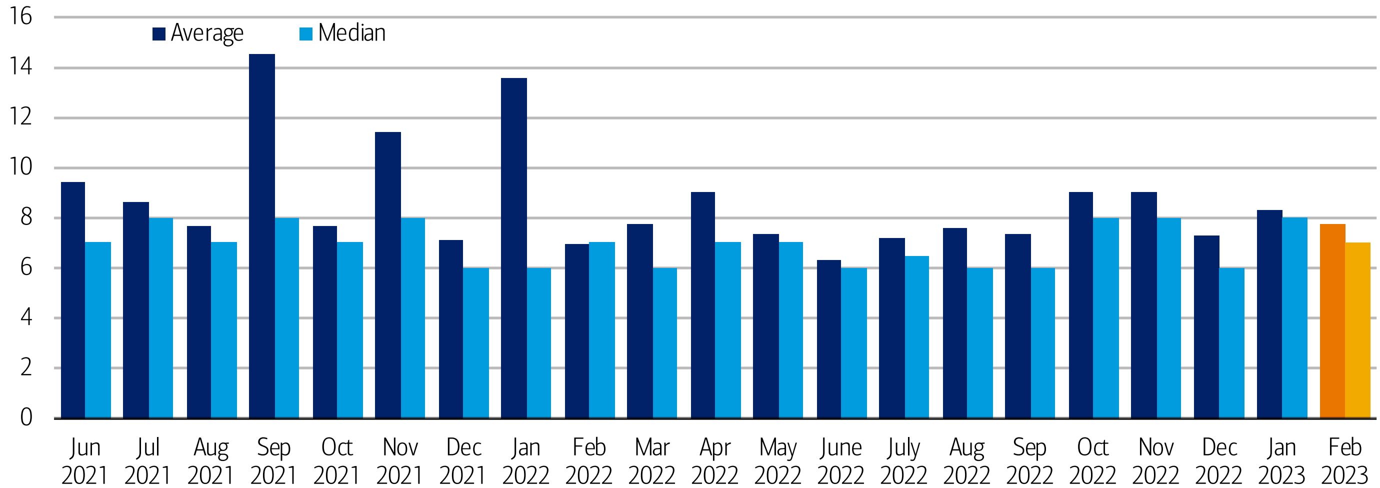
BofA GLOBAL RESEARCH

VPE was 7.7 in Feb 2023, down from 8.3 in 2019

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

We also asked agencies about the number of visits per episode (VPE). In our February survey, the average number of VPE was 7.7 (median of 7.0), below the 8.3 in our previous survey. Respondents saw a wide distribution of VPE this month, ranging from 2 to 20. Of note, the median number of tele-visits per episode was 2.0.

Exhibit 31: Number of visits per episode
In the February 2023 survey, the avg number of visits per episode was 7.7, below 8.3 in January 2023



Source: BofA Global Research survey

COVID-19 impact

We asked a series of questions about how the ongoing pandemic continues to impact operations and admission trends in home health agencies.

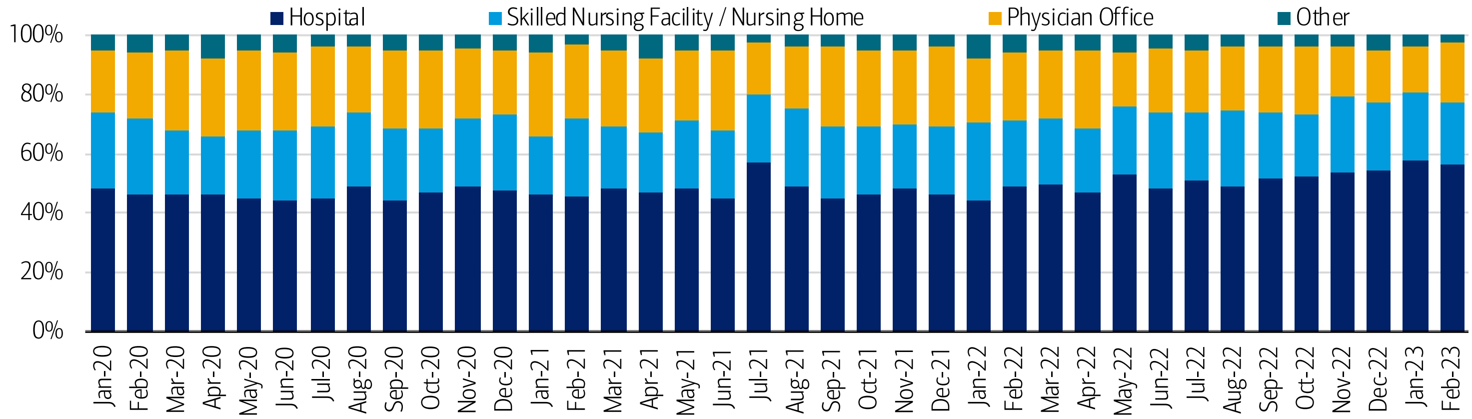
About 57% of patients come to home health from a hospital, 21% from SNFs

Please provide a percentage (%) of your home health patients that came from the following settings in February 2023 and February 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 (57% vs 49% last year), comparable % came from Skilled Nursing Facilities (SNFs) or nursing homes (21% vs 22% year ago), fewer came from a physician office (20% vs 23% prior year), and fewer came from other settings, such as assisted living, internet searches or insurance contracts (2% vs 6% a year ago).

Vs last month, fewer patients came from Hospitals (57% vs 58% prior month), less came from Nursing homes (21% vs 23% prior month), and more came from Physician offices (20% vs 15%).

Exhibit 32: Admission source of home health patients
In Feb compared to Jan, the share of patients coming from Hospitals was lower, the share coming from doctor's offices increased



Source: BofA Global Research survey.

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Most respondents think 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?

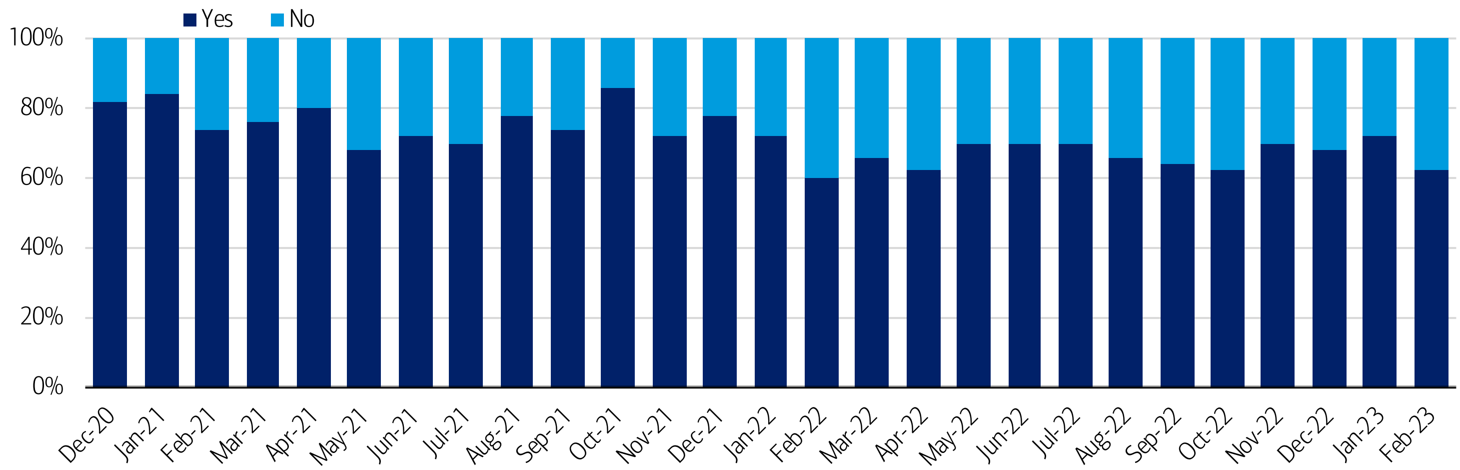
About 62% of respondents believe they are getting more patients that previously would have been discharged to a SNF. This is below the 70% in the summer months of 2022. Those who are seeing this trend noted:

- Many of our referrals in the past would have been sent to a nursing home for rehab before coming to home health
- Clients feel they can receive the same if not better care at home
- Financial constraints and staffing issues at local nursing facilities
- COVID changed habits

Meanwhile, the 28% of respondents who are not seeing this trend noted:

- No Covid impact currently
- Referral patterns unchanged
- Getting more patients directly from physicians in attempt to keep patients out of hospital
- This was true in 2020-2022, it's very close to normal where patients are going to SNF after hospital stay

Exhibit 33: Responses to a question about SNF diversion
62% of respondents believe they're seeing patients that previously would have gone to SNFs



Source: BofA Global Research survey

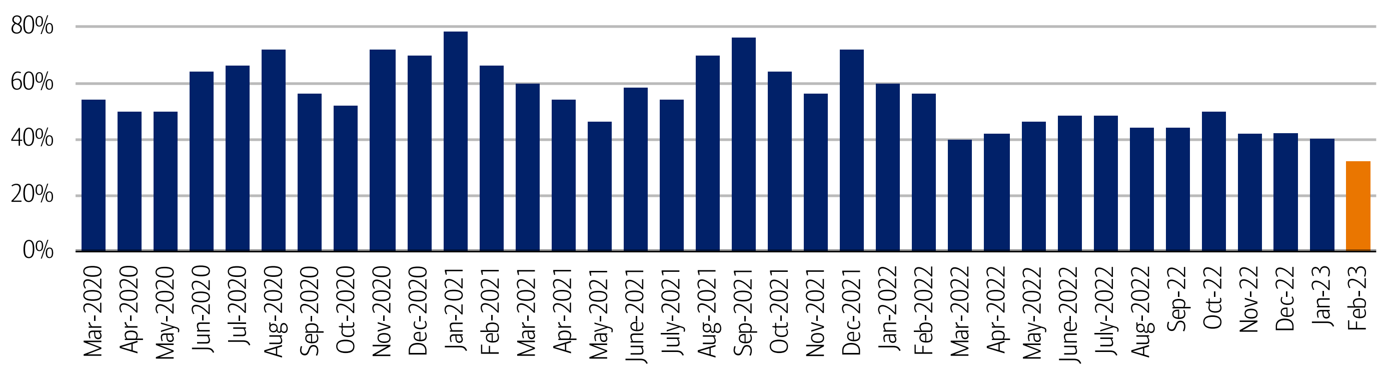
BofA GLOBAL RESEARCH

Fewer agencies see higher admissions from hospitals due to COVID

Have you seen an increased number of home health admissions from hospitals as they discharge patients faster to free up beds for COVID-19 patients?

In our survey, 32% of respondents were seeing higher admissions from hospitals due to a faster patient discharge turnover. This is below the 40% in our January and below 42% in the December survey. It began decreasing in Oct 2022 and is now at its lowest point since we started tracking. Fluctuations can potentially be attributed to the changing survey respondents' m/m.

Exhibit 34: 32% of survey respondents saw higher admissions from hospitals
The share of agencies seeing higher admissions from hospitals was below 40% as of last month



Source: BofA Global Research

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Of those who were seeing higher admissions from hospitals, they noted:

- Recent uptick in last 30 days
- Trend is down but admissions remain up
- Hospitals trying to optimize census

The other 68% of respondents who are not seeing this trend noted that:

- COVID is low/not an issue in their area
- Admissions stabilizing

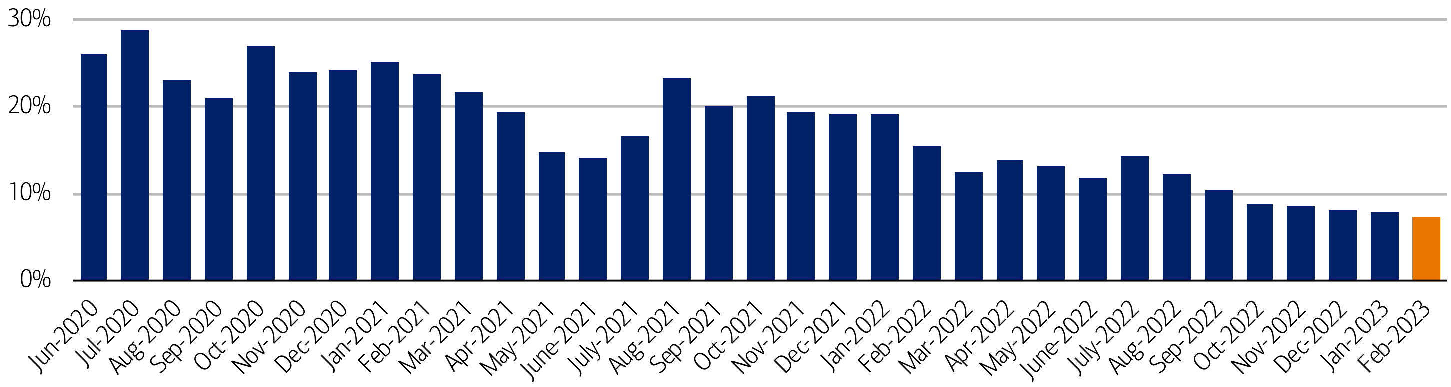
- Covid impact to acute centers is not as bad as historical issues

7% of monthly admissions delayed due to COVID-19

What percentage of your monthly home health admissions is being delayed due to COVID-19 causing hospitals to delay elective procedures?

On a weighted average basis, our respondents indicated that 7% of monthly home health admissions were delayed as a result of deferred elective procedures. This is below the result in our January survey and below the 8.0% in our December survey. Generally fewer volumes have been deferred the last nine months compared to the period during the Delta (Aug-Sept 2021) and Omicron (Dec 2021-Jan 2022) surges.

Exhibit 35: Percentage of home health admissions delayed as electives are deferred
About 7% of respondents' admits are delayed due to COVID on avg



Source: BofA Global Research survey

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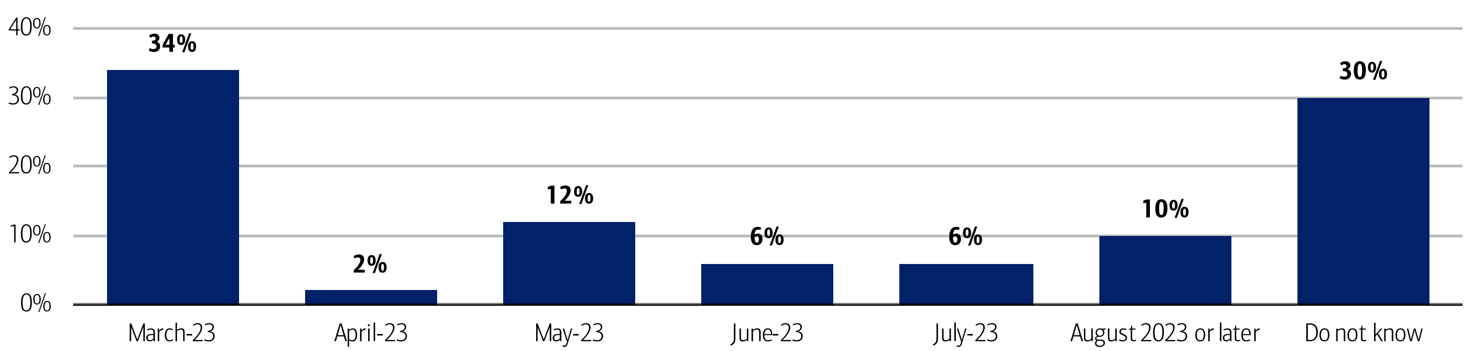
About 96% of survey respondents said COVID-19 is impacting less than 20% of their monthly admissions, while 4% said it is impacting 20-69% of monthly admits. None of the respondents noted that COVID impacted 70%+ of their home health admissions in December.

Outlook for recapturing deferred vols improved: 32% expects return in March

When do you expect these deferred admissions to come back?

We asked respondents when they expected deferred volumes would return. 34% of respondents expect volumes will return in March 2023. A cumulative of 48% expect volumes to return over the next three months, up from 46% in the prior survey. 30% is unsure about the timing of the volume rebound, below the 38% in the January survey.

Exhibit 36: Respondents' expectations of when deferred volumes will return
34% of respondents expect volumes to return by March and 30% don't know



Source: BofA Global Research survey

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Exposure to VBC expected to increase

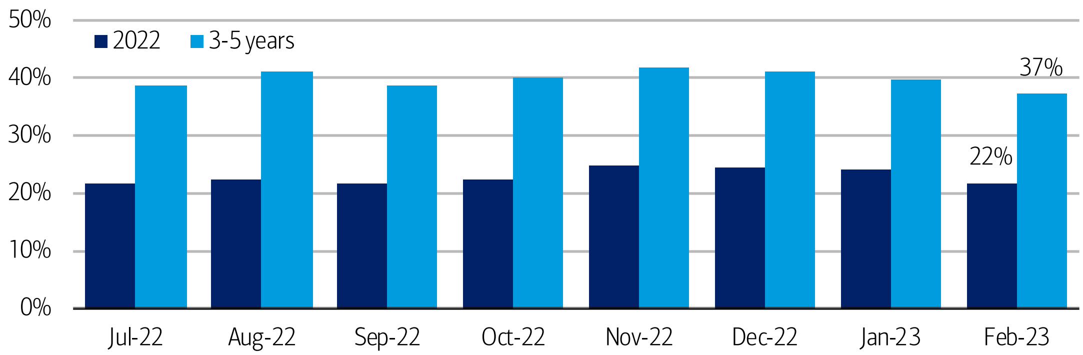
What % of your revenues comes from value-based contracts in 2022? What % of your revenues do you expect to come from value-based contracts in 3-5 years?

In the July survey we added a new question. We asked 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 February, 68% of respondents saw less than 25% of their revenues coming from VBC (above 64% in the prior survey), 24% of respondents saw between 25%-50% (above 18% in the prior survey). On a weighted average basis, respondents reported 22% of their revenues coming from VBC in 2022, below the 24% in our prior survey.

In 3-5 years, 32% of respondents expect less than 25% of their revenues to come from VBC (above 26% in the prior survey), 32% of respondents expect between 25%-50% (below 34% in the prior survey). Cumulatively, 64% expect no more than 50% from VBC in 3-5 years, which is above the 60% in the prior survey. On a weighted average basis, respondents expect 37% of revenues from VBC in the next 3-5 years, down from 40% in the prior survey.

Exhibit 37: Respondents expect VBC to be a bigger share of revs in the future, 37% vs 22% in 2022
Weighted average share of revenues coming from value-based contracts



Source: BofA Global Research survey

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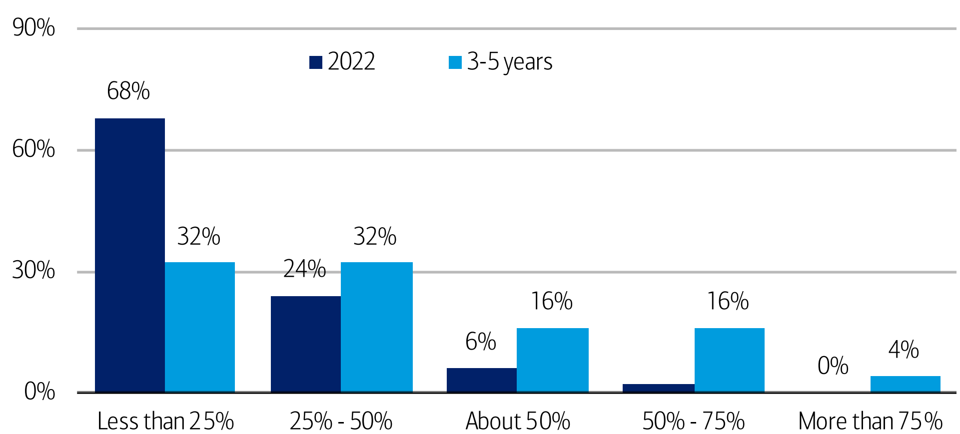
Exhibit 38: Share of revenues coming from value-based contracts
Majority saw less than 25% of their revenues coming from value-based contracts in 2022



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Hospice volume trends

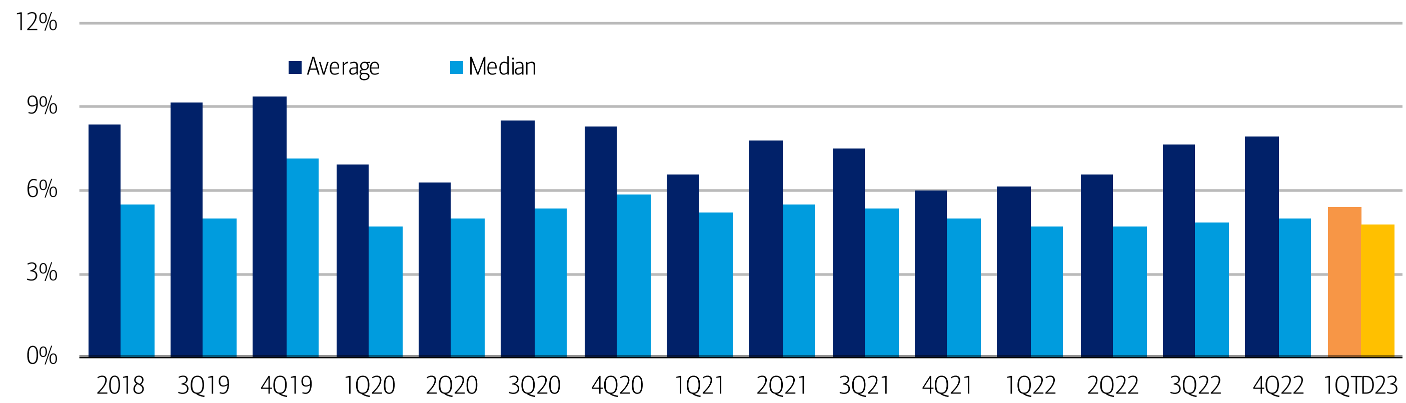
64% of our survey's respondents also provide hospice services. We asked those respondents to provide stats on hospice admits, length of stay, and average daily census.

Hospice admissions decelerated in January, Q1 is tracking below 4Q22

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 +5.3% y/y in February (median of +4.5%), which is a deceleration from January 2023 growth. 1Q23 is tracking below 4Q22: at +5.4% vs +7.9% in 4Q22. The median of +4.5% was below what we saw in January.

Exhibit 39: Quarterly trends in average organic hospice admits growth y/y
Hospice admit growth in Q1 so far is tracking below 4Q22 levels



Source: BofA Global Research survey

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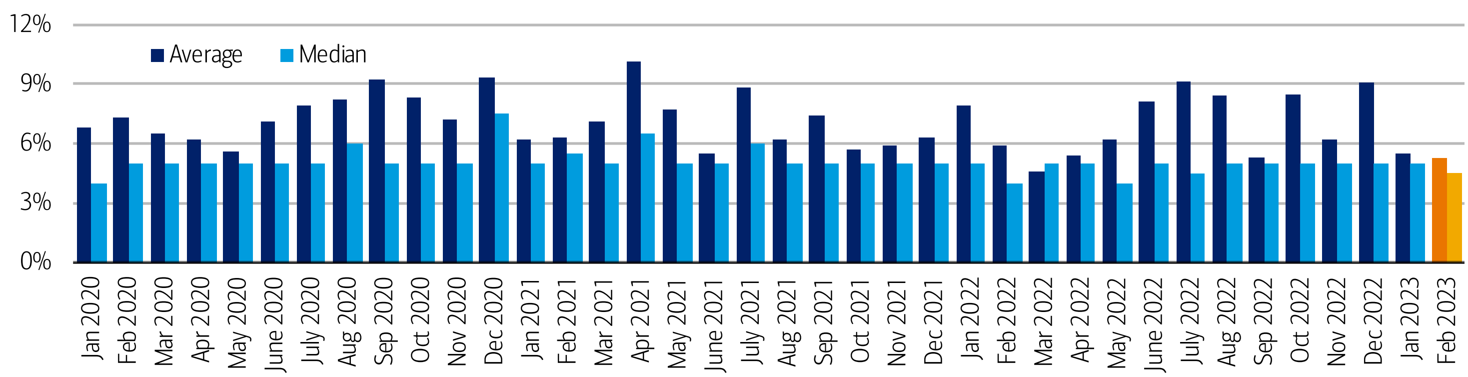
Exhibit 40: Monthly trends in average organic hospice admits growth y/y
Avg hospice admission growth decelerated in February from January



Source: BofA Global Research survey

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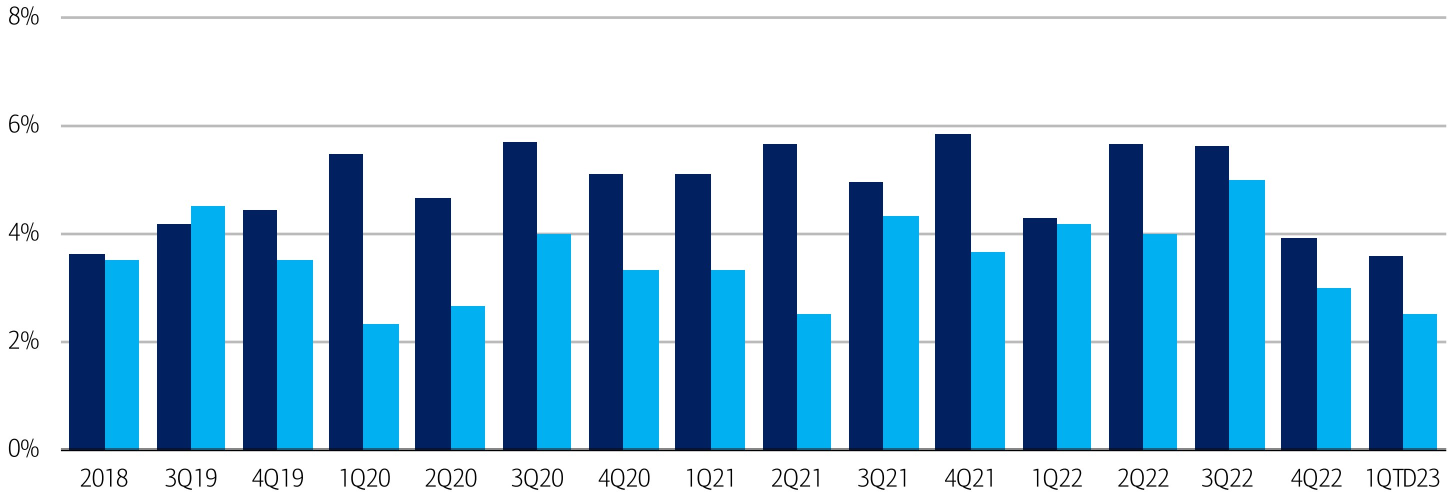
Hospice LOS increased +3.8% in February on avg, median growth +3.0%

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 0.5% per year in 2000-2018 and was up 4.8% y/y in 2020 (the most recent data from the MedPAC 2022 Report).

According to our survey, on average, LOS increased +3.8% y/y in February, after growing +3.4% in January. The 1QTD average growth of +3.6% is tracking below the +3.9% y/y growth in 4Q22. Meanwhile, the median growth in LOS of 3% was above the result in January survey.

Exhibit 41: Quarterly Organic HH Growth (Hospice length of stay)
Average LOS growth in 1QTD is below 4Q22 so far



Source: BofA Global Research survey

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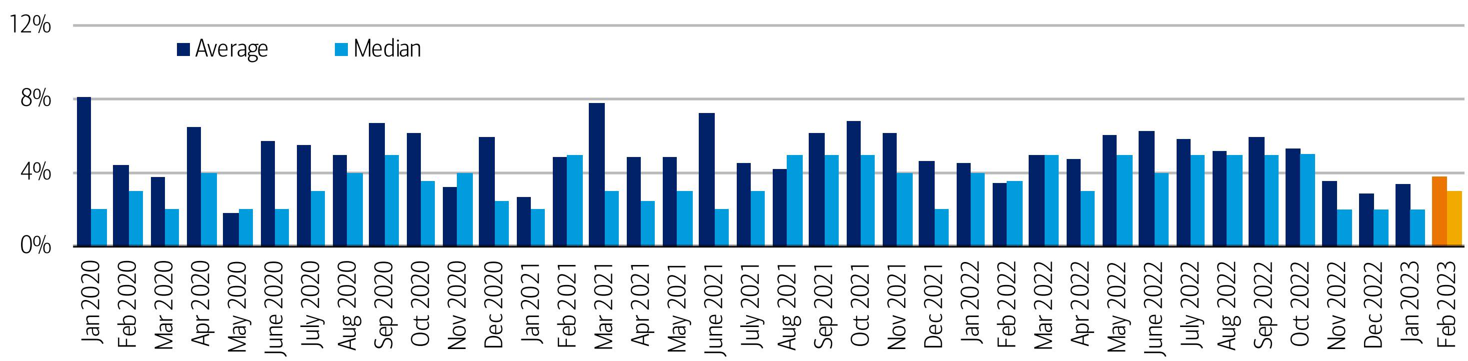
Exhibit 42: Organic Hospice Growth (Hospice length of stay)
Average LOS increased +3.8% in February, accelerating from January



Source: BofA Global Research survey

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Organic Hospice ADC growth decelerated in February, 1QTD below 4Q22

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 +5.3% y/y in February, a deceleration from the prior month (+5.5% y/y in January). 1Q23 so far is trending at +5.4% y/y, below +7.9% y/y in 4Q22. The growth is currently below trends observed in 2020, 1Q21 and 3Q21. Median growth of +4.5% in February was above the median growth we saw in January.

Exhibit 43: Organic Hospice Average Daily Census y/y growth (Quarterly)
Organic census growth in 1QTD is tracking below 4Q22

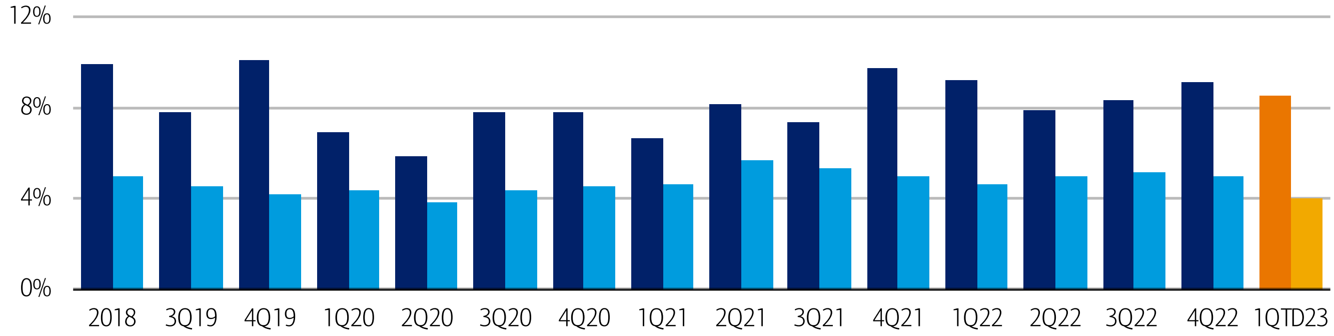

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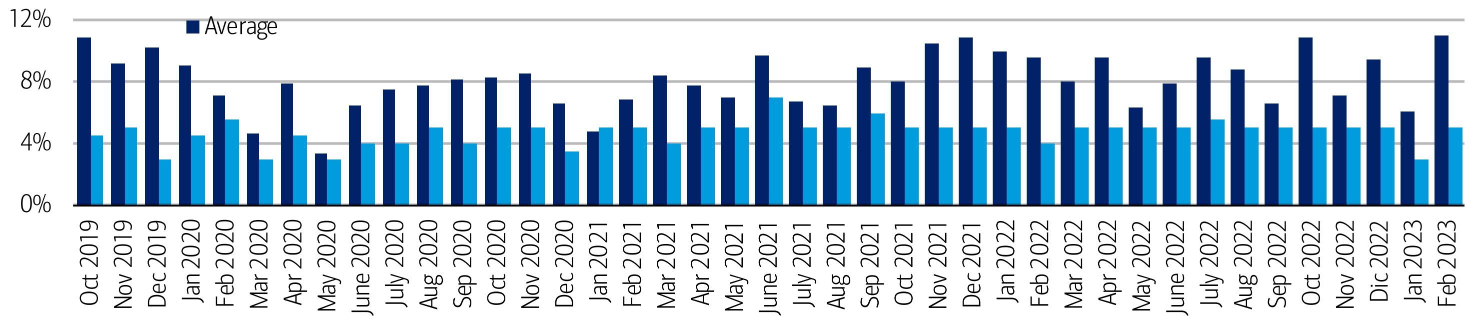
Exhibit 44: Organic Hospice Average Daily Census y/y growth (Monthly)
Organic hospice volumes in February were below January



Source: BofA Global Research survey

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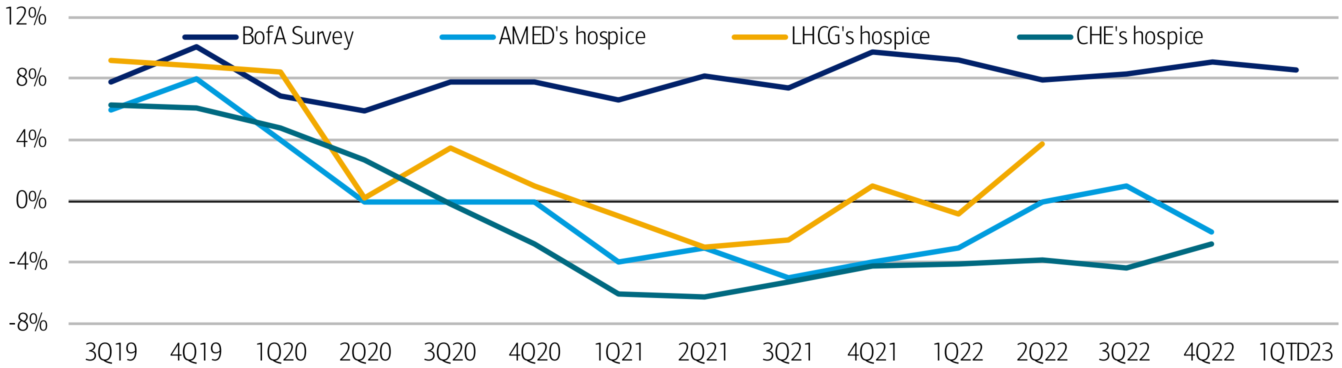
Surveys imply hospice vols would decelerate in Q1

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 data was not strongly correlated: surveys showed acceleration while AMED's census decelerated, and CHE's census accelerated. The recent surveys show a deceleration in 1Q23 from 4Q22.

Exhibit 45: AMED, LHCG, CHE Hospice ADC y/y growth vs BofA surveys
Surveys imply ADC growth accelerated in 4Q22 vs Q3 and that 1QTD23 is tracking below 4Q22



Source: BofA Global Research survey, Company reports

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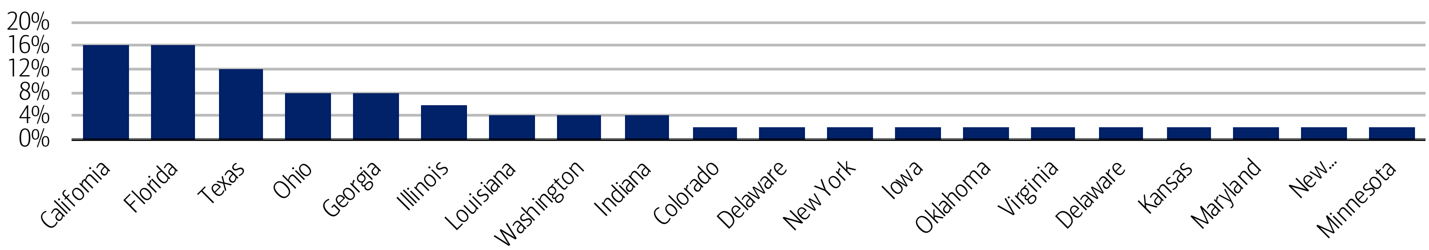
Appendix

Survey respondents came from 20 states in total, with CA, FL and TX being the most represented.

Exhibit 46: Regional distribution of survey respondents
Approximately half of our respondents are from the key states of CA, FL and TX



Source: BofA Global Research survey

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Exhibit 47: Companies mentioned
Companies mentioned

Ticker	Company Name	Price as of 13-Mar-23	Rating
ADUS	Addus HomeCare	$97.97	B-1-9
AMED	Amedisys, Inc.	$82.02	B-3-9
AVAH	Aveanna	$1.55	C-3-9
CHE	Chemed Corporation	$505.54	B-1-7
EHAB	Enhabit	$14.00	C-3-9

Source: BofA Global Research

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Analyst Certification

I, Joanna Gajuk, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Important 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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