

## 002 Falcon Hospice: One-Year Follow-Up

August 5, 2024

The Oregon Health Authority's [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals, like mergers and acquisitions, to make sure they won't harm people and communities in Oregon. After completing a review, OHA issues a decision about whether a business deal, or transaction, involving a health care company should proceed as planned.

On July 14, 2022, OHA completed a preliminary review of the proposed acquisition by Clayton, Dubilier & Rice of a 60% stake in Kindred at Home Hospice (KAH Hospice) from insurance company Humana. (For reference purposes, OHA assigned this transaction the alias "Falcon Hospice" and transaction ID "002.") OHA approved the transaction following preliminary review, which subsequently closed on August 11, 2022

For all approved transactions, OHA is required to assess any changes in Oregon one, two, and five years after the transaction closed and to publish its findings.

In this first-year follow-up review, OHA found that since the close of the transaction, KAH Hospice assumed a new business name, "Gentiva" and hired two new executives: a Chief Clinical Officer and a National Medical Director. There were also some changes in staffing in the first year following close.

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### About the Transaction

On June 14, 2022, OHA received [a Notice of Material Change Transaction](#) ("notice") from Falcon Hospice ("entity"), the sole limited partner of CD&R Falcon Holdings, L.P. ("Falcon Holdings"), which is a Cayman exempted limited partnership with Clayton, Dubilier & Rice (CD&R), a New York-based private equity firm. Under the terms of the transaction, Falcon Holdings acquired a 60% ownership interest in KAH Hospice Company, Inc ("Kindred Hospice"), from Gentiva, a wholly owned subsidiary of the health insurance company Humana.

The main entities involved in this transaction were Humana (as parent company of the seller, Gentiva), Falcon Holdings (as the buyer), and Kindred Hospice (the company being acquired). Prior to the transaction, Humana was the sole owner of Kindred Hospice, a publicly owned corporation and national provider of hospice services with 441 locations nationwide including two locations in Oregon (Lake Oswego and Salem). Through the transaction, Humana received proceeds of approximately \$2.8 billion and Kindred Hospice became Falcon Hospice which is co-owned by both CD&R (60%) and Humana (40%). The transaction closed in September 2022.

The rationale for the transaction, as described in the notice, was to maintain patient care, generate operational efficiencies, and ensure adequate resources to maintain operations.<sup>1</sup> Falcon Hospice stated that the transaction would not involve any changes to the two Oregon hospice agencies' names, federal tax ID numbers, direct ownership, direct governance, management/leadership, contracts with Coordinated Care Organizations, or operations generally. Specifically, Falcon

Hospice stated it had no plans to change locations, number of staff, services offered, service areas, quality of care, or the type of insurance coverage accepted at either of the two locations.

## OHA's Preliminary Review

In its preliminary review, OHA found that the transaction was unlikely to substantially reduce access to affordable health care in Oregon because most hospice services are covered by Medicare under set payment rates and because patients seeking hospice in Lake Oswego and Salem had multiple provider options other than Kindred Hospice in their respective geographic service areas. OHA also found the transaction unlikely to substantially alter the delivery of health care in Oregon because Falcon Hospice stated it had no plans to change how hospice services were delivered. OHA approved the transaction but noted that private equity ownership correlated with profit-maximizing behaviors that either had no impact on quality or had negative impact.

## OHA's Follow-Up Review

OHA's follow-up reviews aim to assess the impact of the transaction on health care cost growth, cost of care, access to care, quality of care, and health equity for people in Oregon. OHA also checks whether the entities have kept to any commitments made in the notice or subsequent HCMO filings.

This one-year review analyzed the activities of Falcon Hospice since the close of the transaction on August 11, 2022. OHA requested and received information from Falcon Hospice regarding their financials, policies, governance, staffing, patients, and services rendered. (See Appendices A and B for details.) OHA reviewed these submissions as well as media coverage of the activities of Falcon Holdings, Humana and their subsidiaries. OHA also sought public comment from community members with experiences with Kindred Hospice (also known as KAH Hospice or Odyssey Health) or Falcon Hospice (also known as Gentiva). OHA did not receive any public comments.

**The entity has asserted that much of the information it provided in its submissions to OHA is confidential and unconditionally exempt from release to the public pursuant to ORS 415.501(13)(c) and ORS 192.345(2). This report only includes information that has *not* been designated as confidential.**

## Industry Trends

OHA looked at relevant trends and external factors that may have influenced any changes since the transaction closed.

## Federal Policy Changes

The Centers for Medicare & Medicaid Services (CMS) sets reimbursement rates annually for hospice services. CMS payments to hospice services were set to increase by 3.1%<sup>2</sup> in 2024 compared to 2023. CMS has proposed a rate increase of 2.6% for 2025. Hospice providers have argued that these increases are insufficient to keep up with higher inflation and labor costs.<sup>3</sup>

Following high-profile reports of hospice Medicare fraud<sup>4</sup> and pressure from Congress<sup>5</sup>, the Centers for Medicare and Medicaid Services (CMS) has issued several reforms to the Medicare hospice program. In 2023, CMS conducted unannounced site visits to 7,000 hospice locations and found 400 locations to be either non-operational or not operating at the address given on their Medicare enrollment forms. The owners of these locations may have their Medicare billing privileges deactivated or revoked.

CMS has also proposed to limit the ability of hospice owners to transfer Medicare billing privileges to prevent non-compliant owners from simply opening new hospice companies. To cut down on the number of ineligible patients fraudulently enrolled in hospice, CMS also began background checking hospice owners seeking to bill Medicare as well as the doctors who certify patients as being eligible for Medicare hospice benefits. To ensure patients can select companies that offer quality care, CMS implemented new patient and caregiver survey protocols so quality measures will be publicly available on all hospices currently billing or seeking to bill Medicare. CMS plans to publish these results to its provider directory, CareCompare.com.<sup>6</sup>

## Private Equity Investments in Hospice

Private equity firms are showing continued interest in buying health care companies, including hospice providers, although the volume of deals has declined since 2021.<sup>7</sup> As the evidence on the impacts of PE investment in healthcare continues to grow, so is state and federal scrutiny of PE transactions. Analysts have pointed to this increased oversight as one reason for the recent decline in PE activity.<sup>8</sup>

A study published in September 2023 found that hospice agencies acquired by PE firms or publicly traded corporations cared for more patients diagnosed with dementia compared to agencies that were not acquired. Dementia patients usually require hospice care for longer and are less costly to care for, making them attractive to PE firms and corporate owners focused on maximizing profits.<sup>9</sup>

In March 2024, the Federal Trade Commission, the U.S. Department of Justice, and the U.S. Department of Health and Human Services (HHS) launched a joint investigation into PE and other corporate control in health care.<sup>10</sup>

### What is a private equity firm?

Private equity firms invest in private companies (i.e., companies that are not publicly traded) and seek to generate high returns on investments. The goal of a private equity firm is to generate profits for investors, typically within 3-7 years. To achieve high returns, they seek to expand companies, often through acquisitions of smaller companies. They also aim to decrease costs (for example, by increasing the use of less expensive staff), increase revenue (for example, by emphasizing more expensive services or increasing volume), with a goal of reselling the company at a profit or pursuing an initial public offering (IPO) within a few years.<sup>12</sup>

## Activities and Changes Since the Transaction Closed

### Corporate Activities

In July 2022, Humana announced it would restructure as two business units: Insurance Services to contain retail, group, and specialty insurance segments and CenterWell to include Humana's current health care businesses.<sup>11</sup> As part of this transaction, Kindred hospice agencies became part of a standalone company and were no longer part of the CenterWell umbrella.<sup>12</sup>

In February 2023, Falcon Holdings announced it was acquiring Heartland Hospice from ProMedica, an Ohio-based nonprofit health system. The transaction was valued at \$710 million and financed by debt. Heartland Hospice had locations in 26 states (none in Oregon), and Gentiva's CEO noted that the acquisition would add 120 hospice locations, 10,000 patients, and 4,000 employees to the company.<sup>13</sup> The sale was finalized in November 2023.<sup>14</sup>

In July 2023, Gentiva opened a new hospice location in Mississippi.<sup>15</sup>

## Name change to “Gentiva”

Following the transaction’s close, in September 2022, KAH Hospice Company, Inc. changed its business name to “Gentiva.” Both the Salem and Lake Oswego hospice agencies were rebranded accordingly. In its follow-up submission to OHA, Gentiva described the steps taken to inform patients, caregivers, and other parties about the name change:<sup>16</sup>

*Patients, caregivers, and other parties were notified via letters, updated forms, new signage, and other marketing materials. Medicare and Medicaid were notified via change of information filings, and commercial payors were notified as required by contract via letter.*

Humana also rebranded its solely owned hospice subsidiaries as “Gentiva.”<sup>17</sup>

Name changes may make it difficult for patients and caregivers to find information about providers to help them make informed choices about where to seek care. For example, on CMS’ CareCompare website which publishes patient satisfaction and clinical quality data on hospice agencies and other providers, the new name “Gentiva” was not reflected for at least a year following the change. As of August 2023, the Salem location (698 12 Street SE Suite 230, Salem, OR 97301) was listed on CareCompare as “Kindred Hospice – Salem” and the Lake Oswego location (4500 Kruse Way Suite 100, Lake Oswego, OR 97035) was listed as “Odyssey Health Care Operating A, LP”. As of the publication of this report, both the Salem and Lake Oswego locations were listed as “Gentiva”.

## Staffing of Oregon Locations

Staff turnover is a common result of ownership changes. Private equity acquisitions of health care providers have been associated with decreased staffing levels and an increased reliance on lower skilled clinical staff as a strategy for maximizing profits.<sup>18</sup>

As part of its follow-up review, OHA requested a report of staffing levels for both hospice locations. The reported data (the specifics of which have been designated by the entities as confidential) showed some changes in staffing between June 2022 (pre-transaction) and August 2023 (post-transaction). OHA will continue to monitor staffing at both locations as part of its two- and five-year follow-up reviews.

## Governance

Three officers of CD&R currently (as of September 2023) serve on the board of directors of Falcon Hospice, L.P.<sup>19</sup> Gentiva named Dr. Valencia Clay as national medical director in January 2023<sup>20</sup> and Jacqueline Lopez-Devine as the new Chief Clinical Officer<sup>21</sup> in April 2023. OHA will continue to monitor governance changes in future follow-up reviews.

## Policies

OHA requested and received copies of all policies governing the Lake Oswego and Salem hospice locations in effect as of June 2022 (or immediately prior to the transaction’s close) and August 2023 (following the transaction’s close). OHA reviewed and compared these policies and found no substantial changes or concerns. OHA will continue to monitor policy changes in future follow-up reviews.

## Two- and Five-Year Follow-Up Reviews

OHA's two-year follow-up review, scheduled to begin in August 2024, will assess the activities of Falcon Hospice in the period from September 2023 through August 2024. OHA will request similar information and data covering this period and identify any further changes affecting Falcon Hospice's Oregon locations. OHA's five-year follow-up review, beginning in August 2027, will look at the impact of the transaction on cost of care, access to care, quality of care and health equity in Oregon.

All follow-up reviews will include any public comment OHA receives about the transaction. Public comments can be submitted at any time by email to [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov) or by calling 503-945-6161 to leave a voicemail.

## Appendix A: Data Requested by OHA

OHA requested and received quantitative data from the entity related to staffing, patient volume and demographics, services rendered, quality of care, and cost of care between 2016 and 2022 at both the Lake Oswego and Salem hospices. As CD&R Falcon Holdings did not own these hospice locations during these years, these historic data reflect the pre-transaction baseline OHA will use to monitor changes in entity performance. OHA will request these data for each of its subsequent follow-up reviews and monitor for changes beginning with its two-year follow-up review. OHA also intends to validate entity-reported data to the extent possible using information from Oregon's All Payers All Claims (APAC) database and the Centers for Medicare and Medicaid Services. Below are the measures and data OHA will monitor:

- Patient volume: annual average daily census, admissions, total patients, total episodes by place of treatment.
- Patient demographics: age at admission, gender identity, race, ethnicity, language translation service needs, zip code of residence at admission, primary diagnosis/condition at admission, and insurance status.
- Cost: annual total payments received by payer type, average total payments received per patient, per episode, and per month, number of patients who exceeded the annual CMS payment cap.
- Quality: annual average and median length of stay, number of patients who did not receive visits in the last days of life, number of patients who were discharged alive from hospice, average call waiting times, number of patients who sought hospice care but were not admitted and reason for non-admission.
- Staffing: number of staff and total FTE by occupation, number of patient care visits and length (for clinical occupations).

## Appendix B: Other Information Requested by OHA

OHA requested the following information from the entity to support the one-year follow-up review.

1. All Gentiva/Kindred Hospice locations in Oregon as of August 2023, including name, address, license number, federal tax ID number, and National Provider Identifiers (NPIs).
2. Information on the name change to “Gentiva,” including effective dates, reasons for the change, and information on activities undertaken to inform patients, caregivers, and other parties in Oregon of the name change.
3. Description of any changes in governance and management of the Gentiva/Kindred Hospices in Oregon since the close of the transaction, including information on CD&R’s involvement in governance, management, and operations of the Gentiva/Kindred Hospices in Oregon.
4. Description of any service or operational changes impacting the Gentiva/Kindred Hospices in Oregon since the close of the transaction.
5. Copies of all policies governing Kindred Hospice locations in Oregon in effect as of June 2022 (or immediately prior to the transaction’s close) relating to clinical staffing, employee compensation, patient care, patient enrollment, billing and payment, and financial assistance.
6. Copies of all policies governing Gentiva/Kindred Hospice locations in Oregon in effect as of August 2023 relating to clinical staffing, employee compensation, patient care, patient enrollment, billing and payment, and financial assistance
7. Recent annual and quarterly financial statements for Gentiva/Kindred Hospice, including profit/loss statement, balance sheet, and cash flow statement.
8. Information on changes in the assets and liabilities of Gentiva/Kindred Hospice since the transaction’s close.
9. Information on any changes to suppliers of the Gentiva/Kindred Hospices in Oregon since the close of the transaction.

## References

- <sup>1</sup> Falcon Hospice, L.P., Health Care Market Oversight Program Notice of Material Change Transaction, dated June 9, 2022, available at <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2022-06-14-002-Falcon-Hospice-HCMO-Notice.PDF>.
- <sup>2</sup> Fiscal Year 2024 Hospice Payment Rate Update Final Rule (CMS-1787-F), <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-2024-hospice-payment-rate-update-final-rule-cms-1787-#:~:text=FY%202024%20Routine%20Annual%20Rate.0.2%20percentage%20point%20productivity%20adjustment> (accessed May 23, 2024).
- <sup>3</sup> “Hospice M&A Looking Dim in 2024,” Hospice News, May 22, 2024, <https://hospicenews.com/2024/05/22/hospice-ma-looking-dim-in-2024/> (accessed May 22, 2024).
- <sup>4</sup> “Congress and Industry Leaders Call for Crackdown on Hospice Fraud,” ProPublica, December 19, 2022, <https://www.propublica.org/article/congress-industry-leaders-call-for-crackdown-on-hospice-fraud> (accessed May 23, 2024).
- <sup>5</sup> Letter to Department of Health and Human Services and Centers for Medicare & Medicaid Services, December 16, 2022, <https://www.baldwin.senate.gov/imo/media/doc/Hospice%20Oversight%20Letter%20Final.pdf> (accessed May 23, 2024).
- <sup>6</sup> “CMS is Taking Action to Address Benefit Integrity Issues Related to Hospice Care,” CMS Blog, August 22, 2023, <https://www.cms.gov/blog/cms-taking-action-address-benefit-integrity-issues-related-hospice-care> (accessed May 23, 2024).
- <sup>7</sup> VMG Health M&A Report, <https://vmghealth.com/2023-healthcare-ma-report/> (accessed May 23, 2024).
- <sup>8</sup> <https://hospicenews.com/2024/05/22/hospice-ma-looking-dim-in-2024/> (accessed May 22, 2024).
- <sup>9</sup> Braun, Robert Tyler, Mark A. Unruh, David G. Stevenson, Holly G. Prigerson, Rahul Fernandez, Leah Z. Yao, and Lawrence P. Casalino. 2023. “Changes in Diagnoses and Site of Care for Patients Receiving Hospice Care From Agencies Acquired by Private Equity Firms and Publicly Traded Companies.” *JAMA Network Open* 6 (9): e2334582. <https://doi.org/10.1001/jamanetworkopen.2023.34582>.
- <sup>10</sup> “Federal Trade Commission, the Department of Justice and the Department of Health and Human Services Launch Cross-Government Inquiry on Impact of Corporate Greed in Health Care,” March 5, 2024, <https://www.ftc.gov/news-events/news/press-releases/2024/03/federal-trade-commission-department-justice-department-health-human-services-launch-cross-government> (accessed May 22, 2024).
- <sup>11</sup> “Humana to reorganize, launches executive search,” Healthcare Dive, July 27, 2022, <https://www.healthcaredive.com/news/humana-reorganize-executive-search/628223/> (accessed May 22, 2024).
- <sup>12</sup> Appelbaum, E., Batt, R. and E. Curchin, “Preying on the Dying: Private Equity Gets Rich in Hospice Care,” April 25, 2023, <https://cepr.net/report/preying-on-the-dying-private-equity-gets-rich-in-hospice-care/> (accessed May 23, 2024).
- <sup>13</sup> “What Gentiva’s Expanded Hospice Presence Means for the M&A Mix,” Hospice News, March 3, 2023, <https://hospicenews.com/2023/03/03/what-gentivas-expanded-hospice-presence-means-for->



[the-ma-mix/](#) (accessed May 23, 2024); “Gentiva Inks Deal to Acquire Heartland Hospice from ProMedica for \$710 Million,” February 27, 2023, <https://hospicenews.com/2023/02/27/gentiva-inks-deal-to-acquire-heartland-hospice-from-promedica/> (accessed May 23, 2024); “ProMedica sells home health, hospice business,” Becker’s Hospital CFO Report, November 1, 2023, <https://www.beckershospitalreview.com/finance/promedica-sells-home-health-hospice-business.html> (accessed May 23, 2024).

<sup>14</sup> “ProMedica sells home health, hospice business,” Becker’s Hospital CFO Report, November 1, 2023, <https://www.beckershospitalreview.com/finance/promedica-sells-home-health-hospice-business.html> (accessed May 23, 2024).

<sup>15</sup> “Gentiva Expands with Mississippi De Novo,” Hospice News, July 24, 2023, <https://hospicenews.com/2023/07/24/gentiva-expands-with-mississippi-de-novo/> (accessed May 23, 2024).

<sup>16</sup> Attachment A – Narrative Response to OHA Information Request, (Redacted), <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/002-Falcon-Hospice-1-Year-Narrative-Response-Redacted.pdf>.

<sup>17</sup> Appelbaum, E., Batt, R. and E. Curchin, “Preying on the Dying: Private Equity Gets Rich in Hospice Care,” April 25, 2023, <https://cepr.net/report/preying-on-the-dying-private-equity-gets-rich-in-hospice-care/> (accessed May 23, 2024).

<sup>18</sup> Appelbaum, E., Batt, R. and E. Curchin, “Preying on the Dying: Private Equity Gets Rich in Hospice Care,” April 25, 2023, <https://cepr.net/report/preying-on-the-dying-private-equity-gets-rich-in-hospice-care/> (accessed May 23, 2024).

<sup>19</sup> Falcon Hospice, L.P., Form D – Notice of Exempt Offering of Securities, filed September 22, 2023, available at <http://pdf.secdatabase.com/1540/0001946789-23-000003.pdf> (accessed May 23, 2024).

<sup>20</sup> “Gentiva names Dr. Valencia Clay as national medical director,” January 18, 2023, <https://www.gentivahs.com/articles/news-and-press/gentiva-names-doctor-valencia-clay-as-national-medical-director/> (accessed May 23, 2024).

<sup>21</sup> “Gentiva Welcomes Jacqueline Lopez-Devine as Chief Clinical Officer,” April 10, 2023, <https://www.gentivahs.com/articles/news-and-press/gentiva-welcomes-jacqueline-lopez-devine-as-chief-clinical-officer/> (accessed May 23, 2024).