



## Episode 125: Opportunities in Home and Alternate Site Infusion, With Don Hooker

### Episode Summary

Home and alternate-site infusion therapy is a highly fragmented market. Just two large players command 35% to 40% market share while more than 800 smaller providers making up the remainder. And that fragmentation is exactly what's drawing private equity interest.

[Don Hooker](#), director of research at Bourne Partners, a leading life science investment firm, joins McGuireWoods partner and host [Geoff Cockrell](#) to unpack the investment landscape. Don explains that delivering drugs at home or in alternate sites can cost roughly half as much as treatment in an inpatient setting. He also outlines the two main pressures shaping the home infusion space.

Tune in for his insights about reimbursement dynamics, labor intensity, drug pricing and "back-end" strategic buyers such as Option Care Health.

### Transcript

Voice Over (00:00):

This is The Corner Series, a McGuireWoods series exploring business and legal issues prevalent in today's private equity industry. Tune in with McGuireWoods partner, Geoff Cockrell, as he and specialists share real world insight to help enhance your knowledge.

Geoff Cockrell (00:19):

Thank you for joining another episode of The Corner Series. I'm your host, Geoff Cockrell, partner at McGuireWoods. Here at The Corner Series, we try to bring together deal makers and thought leaders at the intersection of healthcare and private equity.

(00:32):

Today, I'm thrilled to be joined by Don Hooker, who's Director of Research at Bourne Partners. Bourne Partners is one of the leading life science investors in the country, they do a lot of great work,

and we're going to have a very interesting discussion around home and alternate site infusion. But Don, if you could give a little introduction of yourself and of Bourne Partners, and then we'll jump into a discussion.

Don Hooker (00:54):

Great. Well, thanks, Geoff, it's a privilege to be here. So my role at Bourne Partners, I am the Director of Research. So my role in particular is to help put out research, we put out deep dive reports on various sub-sectors that we cover, as well as white papers in areas, pharma services, healthcare services, and today's topic, of course, home and alternate site infusion therapy. In this particular area, we had a nice report out in December, I think on December 8th. We put out a 60-page plus deep dive report on infusion therapy, looking forward to talk about that. I work in partnership with our bankers, so Aaron Olson leads us in healthcare services deal making, with me focused on the research.

Geoff Cockrell (01:34):

So before we dive into the specific topic, I'd love to hear your thoughts on main drivers from where I sit of where there's a lot of investment and deal activity, and that is areas where the particular business model is moving services out of the more expensive location to a less expensive location. How do you think about that at a macro level in driving some of your thinking about more specific sectors?

Don Hooker (02:02):

100%. So certainly, home and alternate site infusion is right there. I mean, that's one of the components of our sort of positive outlook on this space. Site of care initiatives by managed care are not a new topic, but I think probably paused a bit around COVID, but they seem to be coming back, and that's a trend that will continue. There's a greater and greater focus on value-based care reimbursement across US healthcare, and obviously, healthcare services can be delivered more inexpensively out of the hospital. And the other thing that you can't forget about is that patients like being treated at home and at more convenient location. So, it fits the financial needs of the healthcare system, as well as patient preferences.

Geoff Cockrell (02:42):

What's your sense of consolidation in that arena? Are there a lot of things to buy? Are there barriers to entry on the small end? What does the market of those companies look like?

Don Hooker (02:52):

So, home and alternate site infusion therapy is a very fragmented marketplace. You have two larger players, which maybe together are call it 35 to 40% market share, and then after that, you have 800 plus small mom and pops. So, it is a very fragmented market. There are clear benefits to economies of scale with respect to leveraging fixed costs and infrastructure, as well as having a sort of broader therapeutic coverage as well, and there's a benefit to having broader geographic coverage as well.

So there's a lot of benefits to size, but it's still a very fragmented market, which has attracted us to the space. We've seen a lot of interest over the past year, and that continues into this year.

Geoff Cockrell (03:37):

Looking at the market as far as things of scale to buy, I know there's, like you mentioned, two very large players and then it's very fragmented after that. In some other sectors, one of the challenges is there's just not things of good enough scale to purchase. What are the intermediate size companies look like in this corner of the market?

Don Hooker (03:58):

I think there's generally a lot of opportunity to scale. There's a lot of smaller providers that have limited therapeutic coverage. I mean, we see multiples, it's a pretty straightforward sort of PE type story where you can roll up regionally focused providers into a larger national player. And there's a lot of providers with very narrow therapeutic coverage, you can expand that, and that helps with predictability of results and helps with valuations. So, a fair amount of consolidation across the space.

Geoff Cockrell (04:29):

In a number of sectors, one of the drivers of the thought process is that once you get to a little bit of scale, you can introduce other service lines or adjacent sorts of businesses. You mentioned that a little bit, that scale enables you to provide some additional services, but could you go into a little bit more of what scale allows you to do from the perspective of opening up additional sources or revenue?

Don Hooker (04:52):

Sure. So I mean, you have your sort of home service, is going to the patient's home. I think generally speaking, you also can provide complimentary sort of infusion suites and infusion centers. So, patients like to have choice. I think if you want to be working with managed care around their site of care initiatives, you want to be able to offer them different locations, whether it's at home or on a site. It's also important to have a specialty pharmacy function within your company as well. So infusion, you want to have the ability to white bag if it comes to it, and delivering a more finished drug to a provider. So, all of these things are very important.

(05:29):

So if you think about infusion therapy, it's a space that is in a constant state of flux. Right? You have therapies coming to market, you have therapies leaving market, subcutaneous events, oral events. You want to be diversified so you're not over-concentrated in one area and you want to be able to meet the patient and your managed care payer where they want to be met. Sometimes a therapy needs to be started at a suite or a central location to have maximized the oversight, and then you can have the therapy done at home. There's a lot of variability in the delivery of infusion therapy. So, having breadth of coverage is important.

Geoff Cockrell (06:05):

One of the drivers in a number of sectors bringing businesses to scale is the ability to do risk-based contracting. What opportunities are available in this arena?

Don Hooker (06:17):

Yeah. So in terms of getting larger, it makes it a lot easier to enter into risk-based contracts. You have more ability to, I think generally you start small, get experience and build up. I mean, infusion therapy, I think is being part of an ecosystem. So you might partner with at-risk provider or whatnot, but of course, being large gives you flexibility there. I mean, home and alternate site-based infusion therapy is, the drugs can be delivered in these alternate sites and at home sites, home locations, at maybe half the cost of an inpatient setting. So when possible, you want to move this stuff out of the hospital. So, it definitely fits into a value-based reimbursement model. So a lot of health systems will have their own home and maybe even alternate site infusion offerings as well, but they'll have a narrow catchment area. So, partnering with a scaled third party provider can be super helpful in a value-based reimbursement arrangement.

Geoff Cockrell (07:08):

One benefit of a scale in a number of sectors where you've got small fragmented businesses is the ability to leverage into technology solutions. What benefits does scale provide in regards to access to technology and how's technology changing this sector?

Don Hooker (07:24):

Yeah. So, the two big pressures on home infusion space here is reimbursement and labor. So, not totally unique to infusion therapy, but you can imagine labor is an issue, particularly when some infusions take a long time and you might have a one-to-one sort of nurse to patient... a long period of time where you have a heavy concentration of labor per patient. So, while there's a lot of focus on the One Big Beautiful Bill Act and Medicaid pressures, people forget that commercial insurance is also likely to be facing pressures. I mean, patients are facing higher deductibles and copays, there's more narrow networks, and I think we're seeing more and more pressures on the commercial side. So, home and alternate site infusion therapy providers have to do more and more with less and less.

(08:09):

So, how do you get around that? Well, I mean, needless to say, information technology comes up a lot in our discussions. AI comes up a lot as well. These are areas where you can generate a lot of efficiency. I mean, prior authorizations. One of the things that surprised me most about the space, continues to surprise me about the space when you talk to folks, is how difficult it is to get paid. So, prior authorizations is an area where you can imagine where AI and information technology can bring a ton of value. The broader, just the whole revenue cycle, collecting fees, payments, big challenges,

so AI is a big part of that. Referrals is another area where you're passing patients around between one site and another.

(08:49):

And then finally, another area I think that's interesting is just patient flow. So, every infusion is unique. So some infusions are 10 minutes, some are an hour, some are six hours. It's almost like a jigsaw puzzle trying to fit in and schedule the day. Everyone wants to be scheduled around lunchtime, but it's figuring out how to maximize the flow of patients, vis-a-vis the labor you have, is a giant, real-time jigsaw puzzle. So again, you can imagine there's AI applications there as well. So, I think we'll see a lot of IT and AI adoption in the space. So yeah, that's a big, big theme and we highlighted that a lot in our report.

Geoff Cockrell (09:21):

The fact that this solution is moving treatments from a more expensive setting to a less expensive setting has benefits on overall system costs, for sure. That doesn't mean, however, that it's insulated from reimbursement risk and that clips on reimbursement can still be a thing, like they were in home health and other areas. What's your assessment of reimbursement risk? And looking forward, I know reading the tea leaves is difficult, but what's your assessment of reimbursement pressures?

Don Hooker (09:52):

Yeah. Well, I mean, this is one spin, there's actually a hope for upside around reimbursement. I think in Medicare Part B, we have a flawed reimbursement for home and alternate site infusion therapy, so they're relatively under reimbursed in Medicare Part B. So there's a hope, there's been legislation introduced to expand reimbursement there, so there could be upside there, we can talk about more of that. On the commercial side, there's pressure as well, but I don't think it's anything unique to home and alternate site-based infusion, the other healthcare services areas, and that's where we talk about AI and revenue cycle and IT. That will have a big impact there, making sure that there's medical necessity, all your prior authorizations are done. But the Medicare part B, there's definitely potential upside there over time.

Geoff Cockrell (10:37):

No business is all tailwinds and no headwinds. As you look at this sector, what are some of the headwinds either now or foreseeable in the not distant future?

Don Hooker (10:48):

Sure. So generally speaking, about half of an infusion therapy provider's revenues come from the spread they get on the drug, roughly speaking about half. And when we're talking about pharmaceutical prices, obviously with the current administration, there's a lot of unknowns. So, we are wary there. The most recent, I think 15 drugs that were put up to the IRA Medicare price negotiations, I think six or seven of them were infusion drugs. So, that's the first time we're starting to see infusion

drugs come into play there. The effect of those Medicare negotiations are a little bit of an unknown. So again, Medicare's not a big payer, as I mentioned for infusion, but if you change the Medicare price, it can have a derivative effect on commercial pricing in other areas. So, keeping a very close eye there. You have your most favored nation's negotiations that have been going on for the past few months. We've seen a lot of agreements between pharma companies and the Trump Administration. How that plays out is something to watch.

(11:48):

Biosimilars, I think we're all hoping to see more biosimilars in the US marketplace. The effect of that on... I think that's generally probably a positive, but there could be noise around biosimilars. So there's I think a lot of unknowns around the drug, but overall, I think generally speaking, we're seeing a greater movement towards biologic, large molecule drugs that require infusions. And this is a service that saves the healthcare system a lot of money, so I think we're very positive. But yes, to your point, there are risks.

Geoff Cockrell (12:20):

Are there many kind of niche parts of the market? I recently saw a deal that was infusion services for radiopharmaceuticals, so nuclear charged particles, which introduce a number of complications, as you might imagine. But how would you describe some of the niche corners of the market? That's always an area that investors are usually interested in.

Don Hooker (12:40):

Yeah. Each drug is its own universe. That's why I think what investors want to see is for their infusion therapy provider investments, they want to see diversity. I think there's a real risk of becoming too overly concentrated. Just because you have changing drug modalities, I mean, you're always watching for new subcutaneous delivery. And if you have an infusion, it can go to subcutaneous, that could affect you. It could go to oral. There could be a generic drug that comes out that would be our biosimilars. I think the goal for most investors that we speak to is just, they want to see providers that aren't overly concentrated in any one hot area. So, I think that's how you get a bigger valuation, you want to be broader.

Geoff Cockrell (13:20):

One dynamic that I see investors looking at in a number of different sectors is trying to control the amount of government reimbursement. What does the payer mix look like and is it very widely based on what drug you're talking about? I would think it does, but are there businesses where you can isolate out the government reimbursement and can just walk away from that kind of corner of risk? Or what does payer mix look like, usually?

Don Hooker (13:43):

I think most of the providers we talk to are dealing outside of... Medicare Part B is somewhat broken. I think the last statistics I've seen are 3.1, 3.2, 3.3 million patients outside of Medicare that are getting infusion therapy every year. Inside of traditional Medicare Part B, there's maybe 10,000, so you can see that's wildly underutilized, and a lot of that's just because they don't reimburse well for providers. So, that's an issue there. So by definition, most of the reimbursement is outside of traditional Medicare. Medicaid generally doesn't pay as well, so it tends to be more private.

Geoff Cockrell (14:21):

Increasingly in a lot of sectors, the question is coming up of, once a business gets to real scale, who is going to be the buyer of that? So if you think about, and you can draw the line at different places, but let's call it 200 million of EBITDA as a line for something being really big. There's definitely sectors where there's very open questions as to who the buyer is and what they do with that once they've bought it. How do you think of the backend big buyers, or can you keep growing and growing and growing or there's some natural limit, running out of room for private equity buyers, and where do big things go?

Don Hooker (14:59):

Big things can go big, right? I mean, your biggest player, of course, is Option Care Health, which is an independent, a publicly traded company. You have big managed care companies coming into the space and making acquisitions. I mean, United has probably the second largest provider through Optum, they just made an acquisition in the home infusion space. Elevance has gotten fairly big in home and alternate site infusion. So those can be full, national platforms and they're building out.

(15:25):

I mean, generally it's still very fragmented. CVS Health was involved in home and alternate site infusion and got out of the space, which is interesting, but there's a lot of unique things going on at CVS. But generally, you can grow as a standalone player, you can get bigger and bigger and be a multi-billion dollar publicly traded company. You can be part of a large managed care organization, or you can be part of a health system. Think of like BrightSpring, was part of a broader offering to health systems. You can think of home infusion being partnered with hospice and assisted living and home care, you can have a horizontal integration strategy. So, there's a lot of opportunities. I don't think we know what the right answer is to that question, but I think a lot of upside.

Geoff Cockrell (16:04):

And the fact that public markets is an exit vehicle is a very different dynamic than what you see in some other services sorts of sectors. How would you describe the public market's appetite for these businesses?

Don Hooker (16:18):

So, Option Care is your one example of a publicly traded infusion provider. They have some unique dynamics about them. Right now, I think we don't do a lot of IPOs, but well received by public investors, I think in general. Over time, I think there's perhaps opportunities for more companies like that.

Geoff Cockrell (16:36):

Not every kind of consolidating business is going to perform well. From where you sit with the ones that haven't performed as well, and I don't think there's been a lot of them, but when folks haven't performed well, why do you think that is?

Don Hooker (16:48):

Yeah. I mean, the one that stands out is, so CVS Health, they entered the business and then had a cutback and then another big cutback, and then they exited the business. So they have their Coram Specialty Infusion Services business I think was 10 to 15 years old. They got into that business, grew it, did a big cut, I'm thinking a few years ago, and then they recently exited the business. So, why did they do that? They haven't publicly talked about that, so we can only speculate. It is a business that requires a lot of focus and it can be very local.

(17:18):

So, I think there's opportunities for scale, but it can be very local and it can thinner margin. So, CVS Health had an activist investor involved, I think they were looking to focus on their core competencies and you see infusion being a casualty of that. So, that would be a good example. I think where there is a need for focus, you need focus, you need a lot of things to be successful, but I think there's a risk for a lot of things, like you can get too big and unfocused and it's a thin margin business, so it's very unforgiving.

Geoff Cockrell (17:48):

And compared to the broader healthcare investing universe, how would you describe pricing and what direction is pricing headed on these companies?

Don Hooker (17:57):

You talking about the valuations of the companies?

Geoff Cockrell (17:59):

Correct.

Don Hooker (17:59):

Yeah. I mean, you can get up and we've seen some, certainly valuations in the high teens, low 20s, multiples of EBITDA for a national platform. So, national platform deals can go for very attractive

valuations. So again, that reflects, that confirms that there is a benefit to scale. And when you get smaller ones, it can go down from there. But yeah, you can get valuations, very attractive valuations.

Geoff Cockrell (18:23):

Yeah. I've seen some of those books and heard the trading prices on those can be heady numbers.

Don Hooker (18:28):

Yes, they can. I think a very attractive space. And like we talked about, there's a lot of tailwinds.

Geoff Cockrell (18:33):

How do you assess regulatory pressures in this arena from enforcement actions from the government and other similar things?

Don Hooker (18:41):

I think that regulatory environment, I mean, I think big sort of maybe concerns are just around drug pricing within IRA negotiations, with MFN, even tariffs and trade policy to the extent that there could be shortages and things like that. Those are things to monitor. It's hard to gauge them. Like I said, if you push on Medicare, that could trickle through to other payer classes, entire categories. We just don't know what that's going to look like.

Geoff Cockrell (19:11):

And from where I sit, there's certainly, especially if you've got government reimbursement, there can be all of the typical referral relationship dynamics to be mindful of, but it's not different in kind from other sectors.

Don Hooker (19:24):

I don't think so, yeah. No, I don't. It's just other than the pharmaceutical therapeutic, that element of it, that sort of adds... but generally, that would be a positive. If I think about home and alternate site infusion versus like home care or other sectors, it has a lot of the favorable sort of site of care benefits like we talked about at the beginning of our discussion, the movement out of the hospital, all that's there. Plus, you potentially have more and more drugs coming to market that require infusion, and that's why it's such a sought after space.

Geoff Cockrell (19:52):

Well, Don, it's a super interesting and much sought after sector, and I really appreciate you coming on and spend a little time talking about it. I'm sure we're going to continue seeing a lot of deal activity in this sector in different forms for at least the next couple years. So, thanks a ton for joining.

Don Hooker (20:09):

Well, thank you, Geoff. Thank you very much.

Voice Over (20:12):

Thank you for joining us on this installment of The Corner Series. To learn more about today's discussion, please email host Geoff Cockrell at [gcockrell@mcguirewoods.com](mailto:gcockrell@mcguirewoods.com). We look forward to hearing from you.

(20:25):

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