

# Falcon Hospice Transaction Review

The [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals to make sure they support statewide goals related to cost, equity, access, and quality. After completing a review, the Oregon Health Authority (OHA) issues a decision about whether a business deal, or transaction, involving a health care company should proceed. On June 14, 2022 OHA received a completed [notice of material change transaction](#) from Falcon Hospice, describing plans to acquire Kindred at Home Hospice.

## Proposed Transaction

Falcon Hospice is seeking to acquire 60% ownership of KAH Hospice. KAH Hospice includes the hospice and personal care divisions of Kindred at Home, a national provider of home health, hospice, and personal care services. KAH Hospice is currently solely owned by a subsidiary of Humana, a national for-profit health insurance and health care company. The New York-based private equity firm Clayton, Dublier & Rice (CD&R) is a limited partner in Falcon Hospice. KAH Hospice is headquartered in Atlanta and provides hospice and personal care services at 441 locations in 36 states, including two Oregon Kindred locations in Lake Oswego and Salem. The entities are seeking to complete the transaction by July 15, 2022, pending regulatory approval. From 2017 to 2019, Kindred's Lake Oswego location served an average of 425 patients annually and the Kindred Salem location served an average of 215 patients annually. According to the notice, both locations combined had an average annual revenue of less than \$6 million in the last three fiscal years.

## OHA's Review

OHA conducted a 30-day preliminary review of the proposed transaction. During the review, OHA analyzed baseline data and assessed the likely impact of the transaction across four domains: cost, access, quality, and equity. OHA held a 14-day public comment period and received three public comment submissions, all of which raised concerns about potential negative impacts of the transaction.

## Key Findings



### Cost

Because Medicare covers hospice services for most Kindred patients and has set payment rates, OHA does not have concerns about regional price increases resulting from this transaction. Recent reports, however, have highlighted concerns about the billing practices of hospice providers with private equity ownership that seek to maximize profits without improving quality of care or patient experience. OHA will monitor for any impacts of the transaction on health care spending in follow-up analyses.



### Access

Kindred Lake Oswego and Kindred Salem locations provided 14% and 9% of hospice care in their respective geographic service areas. Patients seeking hospice care in these regions have multiple provider options that deliver similar services at similar levels of care. Ownership change of the Kindred facilities is not expected to reduce access to hospice services in these areas. As long as the locations continue to meet requirements for state licensing and Medicare certification, these facilities should remain accessible to patients with Medicare and Medicaid insurance coverage.

## EXECUTIVE SUMMARY



### Quality

Falcon Hospice maintains that the planned business deal will not impact quality. Kindred's Oregon locations have quality scores for patient care that are comparable to state and regional averages; but their patient and caregiver experience ratings have decreased in recent years. Public comments highlighted recent reports that suggest private equity firms' cost cutting strategies may result in poorer quality of care at hospice facilities. The US Senate Finance Committee has launched [an investigation](#) into Kindred's former private equity ownership. OHA will monitor quality outcomes in follow-up analyses.



### Equity

Kindred's patient population is generally reflective of the demographics of the residents of each facilities' geographic service area, including those patients living in zip codes designated as rural. Kindred expects to continue to serve people with Medicare and Medicaid coverage at its Oregon locations.

## Conclusions and Decision

Based on preliminary review findings, **OHA approved this transaction on July 14, 2022.** (See [Review Order 002 – Falcon Hospice](#) and [Review Summary Report](#).) OHA approved the transaction after determining that it meets these criteria:

1. **The transaction is unlikely to substantially reduce access to affordable health care in Oregon.** This transaction will not result in consolidation in the hospice care market. As the majority of hospice patients are covered by Medicare, which has fixed reimbursement rates, this transaction is unlikely to result in price increases. As stated in the notice, Falcon Hospice expects that Kindred locations in Oregon will continue to serve a similar mix of patients covered by Medicare and Medicaid.
2. **The transaction is not likely to substantially alter the delivery of health care in Oregon.** Kindred Lake Oswego and Kindred Salem hold 14% and 9% of the market share in their respective service areas, giving patients other options for hospice care in those service areas. Any changes of care that result from this transaction are unlikely to substantially alter delivery of care for the region or the state. In its notice, Falcon Hospice states that the transaction will not affect access or quality of care at Kindred locations in Oregon.

OHA will monitor the impact of the transaction by conducting follow up analyses one year, two years, and five years after the business deal is completed. During these reviews, OHA will analyze the impact of the transaction on quality of care, access to care, affordability, and health equity, specifically following up on concerns or observations noted in the Key Findings. OHA will also assess whether Falcon Hospice has kept to the commitments stated in its notice of transaction regarding cost, access, and quality of care.

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