



Q2/Q3-2009 HOSPICE SERVICES INDUSTRY UPDATE

INDUSTRY UPDATE

Merger and acquisition activity in the hospice sector was slower during the third quarter than it had been in previous quarters with only one acquisition completed. Amedisys announced that it has acquired a hospice business with locations in South Carolina and Mississippi. The lack of deal volume in the hospice sector should not be interpreted as a lack of buyer interest in the space. Buyers, both strategic and private equity, remain highly interested in the hospice market given its relative stability, cash flow, and significant long-term growth opportunities. The battle over health care reform and its potential impact on the hospice industry, however, has caused buyers to take a more targeted, cautious approach to acquisitions. This trend is likely to continue until hospice reimbursement is more certain.

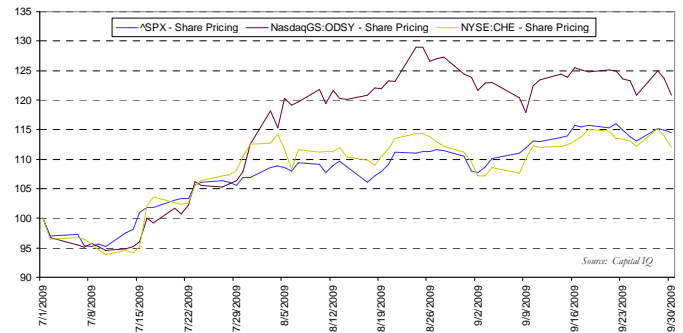
HEALTHCARE REFORM UPDATE

On September 16, Senator Max Baucus (D-MT), Chairman of the Senate Finance Committee, released his Chairman's Mark of his committee's long-awaited health care reform legislation. The legislation, known as the America's Healthy Future Act of 2009, was expected to be the most bipartisan of the many health care reform bills, and therefore the most likely to become law. The initial reaction from both sides of the aisle, however, was predominantly negative. While the most significant feature of the Finance Committee bill is that it encourages the creation of member-owned, non-profit healthcare cooperatives as a substitute for the public option endorsed by President Obama, perhaps the most important part of the legislation is the impact it will have on Medicare hospice reimbursement. The Finance Committee bill calls for cuts of approximately \$7.9 billion over ten years, noticeably less than the \$9.8 billion worth of cuts in the joint "Tri-Committee" bill in the House of Representatives.

TOP STRATEGIC PLAYERS TO WATCH

- **Odyssey HealthCare, Inc.** (NASDAQ: ODSY)
- **VITAS Healthcare Corporation** (Subsidiary of Chemed Corp.)
- **Amedisys, Inc.** (NASDAQ: AMED)
- **Gentiva Health Services, Inc.** (NASDAQ: GTIV)
- **Voyager HospiceCare, Inc.** (Private Equity-Backed)
- **Hospice Compassus** (Private Equity-Backed)
- **Regency Healthcare Group** (Private Equity-Backed)
- **Countryside Hospice** (Private Equity-Backed)
- **American Hospice** (Private Equity-Backed)
- **Evercare Hospice** (Subsidiary of UnitedHealth)

Q3 2009 HOSPICE PUBLIC PERFORMANCE



PROVIDENT NEWSLETTERS

Each quarter Provident Healthcare Partners publishes industry reports on a wide variety of healthcare sectors, including: Home Healthcare, Healthcare Staffing, Emergency Medicine, Healthcare IT, Long Term Care, Pharmacy Services, Behavioral Health, Health Plans, Revenue Cycle Management, Medical Labs, and Contract Research Organizations. Download at www.providenthp.com.

RECENT TRANSACTIONS

Month	Acquirer	Target Company	Details
August 2009	Amedisys	Winyah Community Hospice Care & Allcare Hospice	Amedisys has acquired a hospice with operations in two states. The hospice does business as Winyah Community Hospice Care and Allcare Hospice and operate nine locations in South Carolina and one in Mississippi, respectively. This acquisition gives Amedisys statewide coverage in South Carolina and coverage in 17 counties in Mississippi. It also marks Amedisys' initial entry into the hospice market in these states. The acquired agencies generated annualized revenue of approximately \$17 million.
June 2009	Aspirus Keweenaw Hospital & Aspirus VNA	Keweenaw Home Nursing and Hospice	Aspirus Keweenaw Hospital & Aspirus VNA completed its previously announced acquisition of Keweenaw Home Nursing and Hospice, a home health and hospice agency based in Calumet, Michigan that services 150 clients. The terms of the transaction were not disclosed.
May 2009	LHC Group	Central Basin Home Health & Hospice	LHC Group has acquired 100% of the assets of Moses Lake, Washington-based Central Basin Home Health & Hospice. The acquired company services three counties in the state of Washington and generated \$1.3 million in revenue for the most recent twelve month period. This acquisition expands LHC Group's presence in Washington, a CON state.
April 2009	LHC Group	Joint Venture with Levi Hospital	LHC Group has entered into a hospice joint venture with Hot Springs, Arkansas-based Levi Hospital. LHC Group had previously entered into a home health joint venture with Levi Hospital in 2005.