



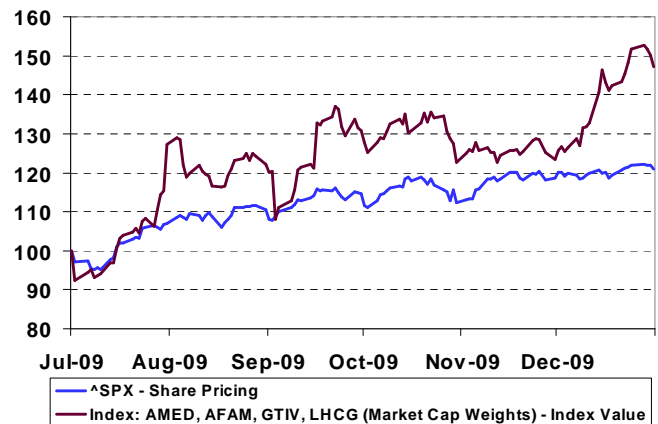
Q4-2009 HOME HEALTHCARE INDUSTRY UPDATE

INDUSTRY UPDATE

Merger and acquisition activity in the home health industry was slower during the fourth quarter than it had been in previous quarters, with six acquisitions being announced and/or completed. As in previous quarters, the consolidation effort was led by the larger, publicly-traded providers in the space. Amedisys, Gentiva, and LHC Group continued their cautious approach to acquisitions, primarily targeting smaller providers in Certificate of Need (CON) states.

Merger and acquisition activity in the home health space is perhaps best described as a waiting game. Most buyers are waiting to see what will happen with healthcare reform and, in particular, what the impact will be on their profit margins, and on the profit margins of the companies they may be interested in acquiring. When healthcare reform passes, buyers will finally have clarity on the issue and be able to adapt to the reimbursement changes and evaluate the impact of the changes on their operations. Regardless of what happens with healthcare reform, the home health sector will remain attractive to buyers given its growth opportunities, cash flow, and market fragmentation. After this adjustment period, it is very likely that merger and acquisition activity will increase substantially as buyers within the space, providers in ancillary markets such as long-term care facilities, and private equity groups begin to pursue platform and add-on acquisitions in an effort to take advantage of the industry's long-term growth opportunities.

Home Health Index Performance – Q3 2009 - Q4 2009



Source: Capital IQ

HOME CARE 100 CONFERENCE

Provident Healthcare Partners' Managing Partner, Bob Ciardi, will be a member of a discussion panel at the Home Care 100 Conference in Key Biscayne, Florida in February. The panel will be discussing the current state of merger and acquisition activity in the home care market, recent trends, as well as the outlook for 2010.

RECENT TRANSACTIONS

Month	Acquirer	Target Company	Details
December 2009	LHC Group	Joint Venture with Woods Memorial Hospital	LHC Group announced that it had entered into a home health joint venture with Etowah, Tennessee-based Woods Memorial Hospital. The new joint venture had net revenue of approximately \$1 million during the most recent twelve month period and has a service area that covers four counties in Tennessee, a CON state. The joint venture became effective as of December 1.
November 2009	LHC Group	Joint Venture with Twin Lakes Regional Medical Center	LHC Group announced that it had entered into a home health joint venture with Leitchfield, Kentucky-based Twin Lakes Regional Medical Center. The new joint venture had net revenue of approximately \$640,000 during the most recent twelve month period and has a service area of one county in Kentucky, a CON state. The joint venture became effective as of November 1.
November 2009	LHC Group	Feliciana Home Health	LHC Group announced that it had completed its previously announced acquisition of the assets of Feliciana Home Health, a Medicare-certified provider of home health services in Baton Rouge, Louisiana and the surrounding area. The acquired company had net revenue of approximately \$12 million during the most recent twelve month period.
October 2009	Gentiva Health Services	Coordinated Home Health Care	Gentiva Health Services announced that it had completed the acquisition of the Medicare-certified assets of Coordinated Home Health Care, a home health services company with three locations in New Mexico and Texas. The acquisition, which includes three offices in Las Cruces and Silver City, New Mexico, and in El Paso, Texas, expands Gentiva's geographic footprint in these two states.
October 2009	Amedisys	Home Health Operations of Hackensack University Medical Center	Amedisys announced that it had signed a definitive agreement to acquire the home health operations of Hackensack University Medical Center with the transaction expected to close by the end of the year. This transaction, when completed, will mark Amedisys' initial entry into the home health market in New Jersey, a CON state. The Hackensack University Medical Center's home health agency had annualized revenue of approximately \$19 million and serves Bergen and Hudson counties.
October 2009	LHC Group	Home Health Assets of John Paul Jones Hospital	LHC Group announced that it had acquired the home health assets of Camden, Alabama-based John Paul Jones Hospital. The acquired agency generated combined revenue of \$300,000 during the most recent twelve month period and has a service area that includes seven counties in Alabama, a CON state.