

Eli's Hospice Insider

Finance: Hospice Companies Report Relatively Healthy Earnings For 2020

For example, VITAS saw both profits and revenues increase.

COVID-19 put up a lot of roadblocks for hospice companies last year, but many were able to keep a steady pace - including publicly traded companies.

Four of five publicly traded companies with major hospice business reported higher income in 2020 than in 2019, say the reports for years ending Dec. 31, 2020. And three out of five had higher revenues.

The two companies that had both higher income and revenues include VITAS Healthcare Corp. with \$238.8 million in net profit on revenues of \$1.33 billion for 2020, up from a \$155.8 million profit on \$1.28 billion in revenues for the previous year; and Amedisys Inc. with a \$185.2 million profit on \$2.07 billion in revenues for 2020, compared to \$127.9 million in net income on revenues of \$1.96 billion for 2019.



Kevin McNamara, the CEO of VITAS parent Chemed Corp. praised the company for its "incredible speed, flexibility, and focus to remain completely open and operate safely for the benefit of our patients, customers and employees" in its Feb. 24 earnings call. McNamara also cited "the federal government, specifically HHS and CMS" as being "very supportive in terms of relaxing regulations, allowing the use of telehealth where appropriate and providing pragmatic flexibility in caring for our entire patient census."

"Considering all of the challenges 2020 threw our way, our performance has been nothing short of spectacular," enthused Amedisys CEO **Paul Kusserow** in the company's Feb. 25 earnings call. Kusserow also called the company's performance "superlative" and "tremendous" in the call.

LHC Group Inc. reported net income of \$137.9 million on revenues of \$2.06 billion for 2020. The company's profit increased over 2019's \$113.9 million figure, but revenues were down slightly from \$2.08 billion for the year. And although 2020 figures also include Encompass Health Corp.'s rehab facility business, the Birmingham, Alabama-based company reported \$368.8 million in net income on revenues of \$4.64 billion for 2020, while in 2019 it profited a higher \$445.8 million on lower revenues of \$4.60 billion.

Brookdale Senior Living reported that revenues for both its home health and hospice business lines were down - a whopping 24 percent for home health to \$249.2 million, and a more minor 0.8 percent to \$95.5 million for hospice. Brookdale is selling the majority of its home health and hospice business, it also announced (see related story, p. 68).

Increased risk of acquiring COVID-19 plus restricted access for visitors has led many patients and their caregivers to choose home as their preferred site of care, company leaders noted.

One of hospice providers' biggest challenges in 2020 was staffing. As COVID ebbs and flows, the nursing shortage continues to worsen. Hospices agencies have to compete with hospitals and other settings for scarce personnel.

"We've seen a lot of our older nurses, [who] tend to gravitate toward home care for a variety of reasons, leave the market early because of COVID," explained Encompass Home Health and Hospice CEO **April Anthony** in the company's Jan. 27 earnings call. "And then we've seen a lot of our younger nurses, who are raising young families, leave the market because of some of the childcare challenges that have existed during the COVID period."

Meanwhile, "hospitals are driving the cost up and ... even though we are providing a different type of service, we are having to chase some of those acute care hospitals and what they are having to do to recruit nurses," Anthony continued. Hospitals are "our competitors in the workforce," she concluded.

Another challenge: Hospice companies that received referrals from and served a large portion of patients in skilled nursing, assisted living, and other facilities endured a double whammy. "Not only were occupancy levels down, VITAS employees weren't allowed on sites for weeks at a time in Florida," pointed out VITAS Healthcare Corp. CFO **David Williams** in the company's earnings call.

Exacerbating the staffing shortage is required quarantine time for workers, several companies noted. As COVID surges, so does quarantining for employees. Amedisys peaked in December with about 6 percent of its staff out on quarantine, noted COO **Chris Gerard** in the call. LHC saw a high of about 4 percent, CFO **Dale Gerard Mackel** related in the company's Feb. 27 earnings call.

Increased expenses due to COVID, for personal protective equipment, supplies, and more, also burdened hospice companies. For example, Amedisys spent \$14.4 million on PPE in 2020, Amedisys CFO **Scott Ginn** noted in the company's call. Quarantine pay cost Amedisys another \$4.1 million in 2020, he said.