

What is the best way to enter the **long-term care** marketplace? The institutional long-term care space, skilled nursing facilities especially, remain a low-margin, highly regulated sector of long-term care. It is likely that this sector will also be negatively impacted by any health care bill passed in 2009. According to Jefferies & Company (Sept., 2009), Baucus' home nursing proposal includes a positive 3% rural add-on; however, the phased-in rebasing beginning in 2013 remains onerous and disproportionate for an industry that could be instrumental in bending the LT healthcare cost curve.

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It is the **ancillary product and service** sector within long-term care that remains especially viable and financially appealing. Many of these industries, such as wound care, diagnostic testing and pharmacy services, remain highly fragmented, often driven by smaller state or regional providers.

The market size of these various high-margin ancillary service sectors ranges from a low of \$750M to a high of over \$10B, with great opportunity for consolidation. The successful consolidation and growth strategy will be achieved by companies with strong quality, standard operating practices and the ability to leverage relationships in a relationship-driven business. In future issues, Allelexian will provide further insight and investment parameters for these services.

Technology to prevent disease. The time has come... **wellness and disease prevention** is on the minds of the general public, the health insurance industry and government regulators and legislators. The momentum toward preventive health care is gathering steam. Many insurers worldwide have already moved to a preventive model. Discovery Health in South Africa and the UK has

successfully implemented preventive health care insurance programs. Many US companies have seen terrific outcomes through their wellness programs...Johnson & Johnson (return on investment of nearly 3 times), Pitney Bowes and Safeway are some of the leaders.

What **impact** would we have on health care industry costs if we could predict for individuals, with some certainty, onset of chronic disease from a simple blood test, have these predictive models be statistically significant and gain FDA approval for this diagnostic tool? Provocative...yes. Possible...definitely. Stay tuned.

For those privately held, owner-founded health care companies looking to sell, there are many **creative ways** to get the value for your company that you feel it is worth. In the current economic environment, it is difficult to get "top dollar" and unrealistic that you will get the hefty multiples that were realized just a few years ago.

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hold back up to 30% (a very likely scenario), use that opportunity to invest your time and energy in the company's future growth. Stay on as a board member or minority owner and provide strategic advice to the new owners. Remember, whoever buys you is looking to grow and make significant returns down the road. Ride the wave with them...your ultimate return will likely be much greater.

Allelexian delivers operational improvement and strategy focused on bottom line and value creation. We assist health care companies with planning and execution. We are experienced in performance improvement, strategy, M&A due diligence, technology planning and organizational change.