

Private Duty Home Care: A Complicated Profile of Fragmentation and Untapped Value

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WYATT MATAS
A HEALTHCARE INVESTMENT BANKING FIRM

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Executive Summary

The private duty home care industry is deceptively complex. At first glance, the business model seems straight-forward, especially compared with more highly-regulated segments of healthcare. Current owners who want to expand are stunted by an inability to scale and break through restrictive industry fundamentals. Historically, industry entrepreneurs have had difficulty accessing capital which has been largely available to other areas of healthcare. However, over the last 24-36 months, \$200+ million has been invested in new potential market disruptors. It's a fragmented industry that is ripe for consolidation, and more capital is ready to be deployed.

Low barriers to entry and proliferation of franchises, among other fundamental reasons, has resulted in a highly fragmented industry. The numerous small agencies lack differentiation, which leads to price competition, as well as competition over staff. Investors see a disjointed marketplace of two distinct, underserved customer groups and an opportunity to broker a relationship. 1) The family members of seniors needing in-home care (the marketplace buyers), and 2) personal care aides wanting to provide services for a reasonable wage (the marketplace sellers).

In other industry segments, entrepreneurs have been using technology to exploit stagnate legacy competition, but home care is local and personal. Whether families will access home care through technology like they access dating and home services is still being decided. What is clear is the capital that these new entrants have brought to the private duty industry has attracted even more capital.

This paper will explore the dynamics of the private duty home care industry and why so few companies have been able to scale. We will dissect the industry's business model to gain a better understanding why many operators hit a glass ceiling between \$1.5 and \$3.5 million in annual revenue. Wyatt Matas interviewed several companies that have achieved some level of scalability in home care, and we discuss some of their tactics that allowed them to overcome the industry dynamics that hold many back. Finally, the paper looks at the recent flow of capital into new home care business models and discusses other capital deployment opportunities.