

Q CASE STUDY

CLIENT TYPE

Intellectual and developmental disabilities (I/DD) provider, private equity portfolio company

PROJECT SCOPE

HMA was engaged to evaluate a set of ten states for possible market expansion via either a de novo start-up or acquisition.

THE APPROACH

HMA worked closely with the client to identify a subset of ten states in which the company did not currently operate but which made strategic sense for possible market expansion. HMA then conducted “deep dive” market reviews for each state, focusing on the following key factors:

- » State budget condition
- » Political support and strength of key stakeholder advocates
- » Structure of I/DD provider market and key competitors
- » Trends in the number of beneficiaries receiving waiver services
- » Reimbursement outlook
- » Regulatory and legislative policy changes affecting relevant waiver programs
- » Workforce issues

In addition, HMA deployed its proprietary **Rate Adequacy Calculator (RAC)** tool to identify markets where reimbursement rates were adequate to cover all variable costs and leave enough room for administrative overhead and profit. The RAC tool was developed by colleagues at



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Burns and Associates, a health policy consulting firm acquired by HMA in 2020 that specializes in provider rate setting. HMA conducted this analysis across three separate service lines, with the RAC tool considering a range of factors including:

- » State level differences in wage rates
- » Regulatory requirements (e.g. maximum home sizes, staffing ratios)
- » State specific employee benefit costs
- » Estimated overtime
- » State differentials in tax rates
- » Employee productivity
- » Travel time/mileage cost

The combination of these qualitative and quantitative approaches resulted in a tiered list of states that represented the best opportunity for future expansion and profitable growth.

THE OUTCOME

The client was extremely happy and is utilizing the analysis to shape its merger and acquisition strategy and evaluate de novo start-ups. In addition, the client asked HMA to conduct identical analyses in additional states.



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