STRATUM HEALTH ADVISORS

CASE STUDY N° 7 · DECISION ANALYSIS

The Price That Stopped the Deals

How a valuation gap froze hospice M&A for three years — and what the thaw teaches a seller about anchoring to yesterday's multiple. A hospice and home-based-care decision analysis.

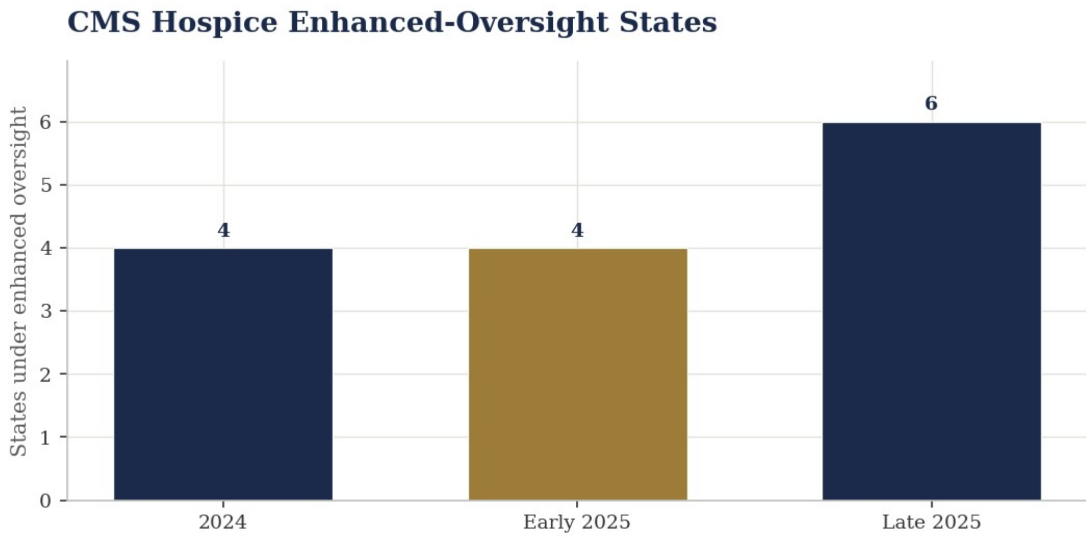
1. The Fork

In 2021, hospice was one of the hottest assets in healthcare, and owners watched platforms trade at premium multiples. Then interest rates rose, regulatory scrutiny intensified, and buyers pulled back — but many sellers did not. They anchored to 2021 price expectations and held. The result was a three-year slump in deal volume, not because demand disappeared, but because buyers and sellers could not agree on price. The fork facing every hospice owner in that window: hold out for the peak multiple you believe your business is worth, or accept the market's revised number and transact. This is an analysis of what that anchoring cost, and what the late-2025 recovery teaches any owner about pricing a business to the market that exists rather than the one that used to.

2. The Landscape Before the Decision

The demand case for hospice never weakened — an aging population, growing preference for home-based end-of-life care, and in many states certificate-of-need protection kept the fundamentals strong[1]. What changed was the cost of capital and the risk overlay, not the demand.

Two forces drove the freeze. First, a valuation gap: sellers held 2021 expectations while buyers, facing higher interest rates, grew more conservative. Second, regulatory risk — CMS placed hospices in a growing list of states under enhanced oversight over Medicare clawback concerns[2], which made buyers cautious and diligence slower. Many transactions simply failed on clinical and compliance review.



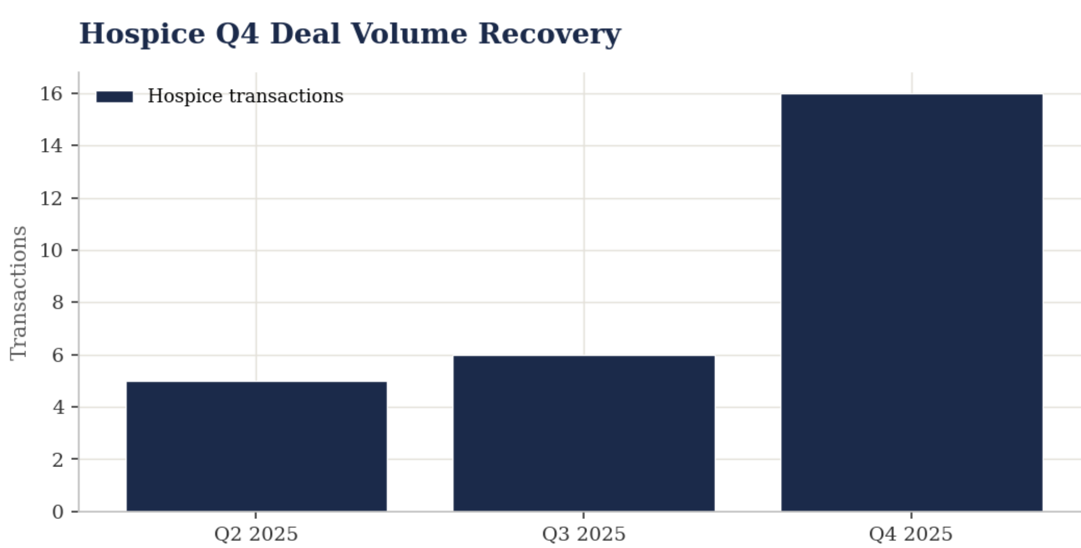
Source: Mertz Taggart Q4 2025 report (AZ, CA, NV, TX; OH & GA added late 2025).

3. The Decision Logic — Steelmanned

Holding out was not irrational for every seller. An owner who believed the rate environment was temporary, and whose business had genuine scarcity value — strong census, clean compliance, CON protection — had reason to wait rather than accept a discounted number driven by macro conditions unrelated to the quality of their business. Selling into a buyer's market means absorbing someone else's cost-of-capital problem. For a high-quality operator with staying power, patience was a defensible bet that the market would come back to their price rather than the other way around — and for the best assets, it partly did.

4. The Landscape After

The thaw came in late 2025. Hospice recorded 16 transactions in Q4 2025 — up from 6 in Q3 and 5 in Q2 — the strongest quarter since 2021, as rate cuts made capital cheaper and a few sizable platform deals restored buyer confidence [3].



Source: Mertz Taggart Q4 2025 Home-Based Care M&A Report; CT Acquisitions (2026).

But the recovery was selective, and that is the real lesson. Well-positioned platforms — stable referral relationships, growing census, clean compliance, technology-enabled operations — again traded at high-teens EBITDA multiples, while assets with billing-integrity or documentation questions stayed hard to sell at any price [4]. The market did not come back uniformly to 2021 levels; it came back for quality. Owners who had spent the slump improving compliance and census sold well; owners who had simply waited, holding a 2021 number on an un-improved business, often still could not clear a deal.

5. The Strategic Read — For Any Seller in a Frozen Market

The hospice freeze is a case study in the difference between price and value, and in what a seller controls. The tradeoff space:

DIMENSION	HOLD FOR PEAK MULTIPLE	TRANSACT AT MARKET / IMPROVE FIRST
If your asset is top-quality	May be vindicated when market returns	Leaves some multiple on the table early
If your asset has issues	Freezes indefinitely — no buyer at any anchor	Fixable — improve compliance/census, then sell
What you control	Nothing — waiting on macro	Everything — the quality buyers pay up for
The failure mode	Anchoring a stale price to an un-improved business	Selling at a genuine trough out of impatience

6. The Stratum Outlook

IN PLAIN TERMS

Strip away the mechanics and it is this: a lot of hospice owners decided in 2021 what their business was worth, and then refused to update that number when the world changed. Deals stopped happening — not because nobody wanted to buy, but because sellers were pricing to a year that was over. When the market came back in late 2025, it came back for the businesses that were actually good, not the ones with the highest asking price. The lesson is simple and unforgiving: you do not set your price, the market does — and the only thing you truly control is whether your business is the quality that buyers compete for. Spend the wait fixing the business, not defending the number.

7. Where Stratum Fits

An owner considering a sale needs an honest read on two things a broker's pitch rarely separates: what the market will actually pay today, and which specific improvements would move the business from the bottom of the multiple range to the top before a sale. Stratum builds that assessment independently. Start a conversation at stratumhealthadvisors.com.

References

All figures in this analysis are drawn from the following public sources, current as of publication (July 2026).

[1] FOCUS Investment Banking. “Healthcare EBITDA Multiples: 2026 Dashboard.” June 2026. focusbankers.com. (Hospice demand drivers; CON protection; segment multiples.)

[2] Mertz Taggart. “Q4 2025 Home-Based Care M&A Report.” Jan 2026. mertztaggart.com. (Valuation gap; enhanced-oversight states AZ, CA, NV, TX, plus OH and GA.)

[3] Hospice News. “Hospice M&A Sees Strongest Quarter Since 2021.” Dec 22, 2025; and “Valuations Ticking Upward,” May 13, 2026. hospicenews.com. (Q4 2025 deal counts; rate-driven recovery.)

[4] ION Analytics / Dealspeak. “Hospice M&A Rebounds but Compliant Assets in Short Supply.” June 1, 2026. ionanalytics.com. (High-teens multiples for quality platforms; diligence discipline.)

Figures reflect the most recent public sources available and may change as ownership and market conditions evolve. This reference list is provided for transparency and does not constitute an endorsement by the cited parties.