1901 N. Central Expwy, Ste 300 • Richardson, TX 75080 • 214.379.8589 • metromarke.com

Why invest in a free-standing Inpatient Rehabilitation Facilities (IRF)

- Based on a Proven Track Record
- In 2006, principals of Nobis Co-founded Reliant Hospital Partners, LLC, an operator of IRFs and grew the company over the next 9 years to 15 locations in 3 states with $240 million in annual revenue and $70 million annual EBITDA.
- Reliant sold to Health South in 2015 for $730 million and was recognized as a leader in patient care and outcomes within the IRF Industry.
- The trailing EBITDA was approx., $70MM so it was a sell for a little over 10X EBITDA.
- Annually, 70% of IRF revenues comes from Medicare. Medicare payments to IRFs represents only 1.2% of total Medicare spending.
- Medicare spending, average payments have increased for patient stay averaging 3.28% annually since 2004.
- There are only 280 freestanding Inpatient Rehab Facilities and they account for 48% of all Medicare discharges annually.
- The number of freestanding and for-profit IRF's will continue to grow as the need for case-specific quality of care, providers access to capital and the Medicare program spend continues to increase.

What are Inpatient Rehabilitation Facilities (IRF)?

IRFs are small free-standing hospitals (40 to 60 beds) that receive discharged patients from an acute care hospital in need of intensive (non-chronic) rehab care after a traumatic injury or covered condition.

- Examples of IRF covered injuries/conditions are: Strokes, amputations, spinal & neuro injuries, hip fractures, certain neuro conditions (MS, Parkinson's), severe burns etc. They are not for chemical/drug or psych rehab use.
- IRFs are primarily regulated by Medicare and the American Hospital Association.
- Annually, IRFs are typically reimbursed for the costs via Medicare or private insurance with 70% +/- revenues coming from Medicare.
- A significant portion of IRF patients are seniors (65+) and thus, usage of IRF services is in high demand as America's population ages.
- There are approximately 279 free standing IRFs in the United States with four major operators: Encompass Health, Kindred Healthcare, Select Medical and Post-Acute Medical.

1901 N. Central Expwy, Ste 300 • Richardson, TX 75080 • 214.379.8589 • metromarke.com

- Roughly 899 acute care hospitals in the United States hold an IRF unit, but due to the level of care needed and bed need analyzation, hospitals are downsizing their own units and referring patients to freestanding IRF's.

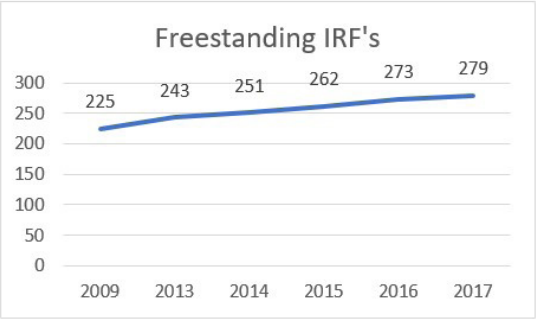
How do they fair during a recession?

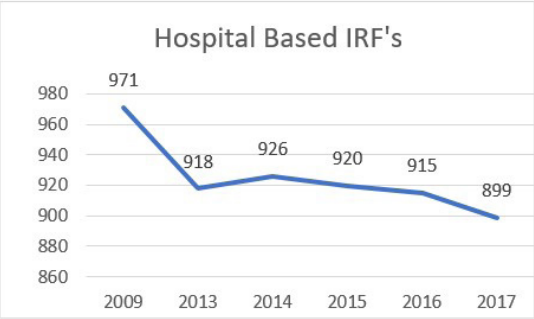
Based on the National Bureau of Economic Research, in the last 30 years, there have been 4 recessions including the Covid-19 related economic plunge of 2020. The other 3 were the early 1990's, the second being in 2001 and the third at the end of 2007, which has been marked as the most extensive contraction since the great depression.

- During the 2007-2009 recession, IRF's initially saw a small decrease of 2.9% in discharges from 2006-2007 due to regulatory change in the industry. This change moved the industry to its current payment model, significantly shifting a large amount of orthopedic cases to Skilled Nursing Facilities and has been stable ever since. IRF's quickly rebounded by 2.4 % increasing in utilization in 2008 and surpassed pre-recession utilization by 2009. Since then, there has been roughly a 2% gain annually.

- Even with tightened access to debt, due to the 08' credit crisis, the changes in the credit markets were not tied to Medicare payment changes. Therefore, there was a minimal impact to Freestanding IRF's. The fact is, Freestanding IRF's have been seeing increases in facilities built while hospital-based units have been steadily declining through the same period:

- Freestanding IRF's have increased by 50+ since 2009, while over 70+ hospital-based units have closed.





What about Skilled Nursing Facilities? Aren't they good enough?

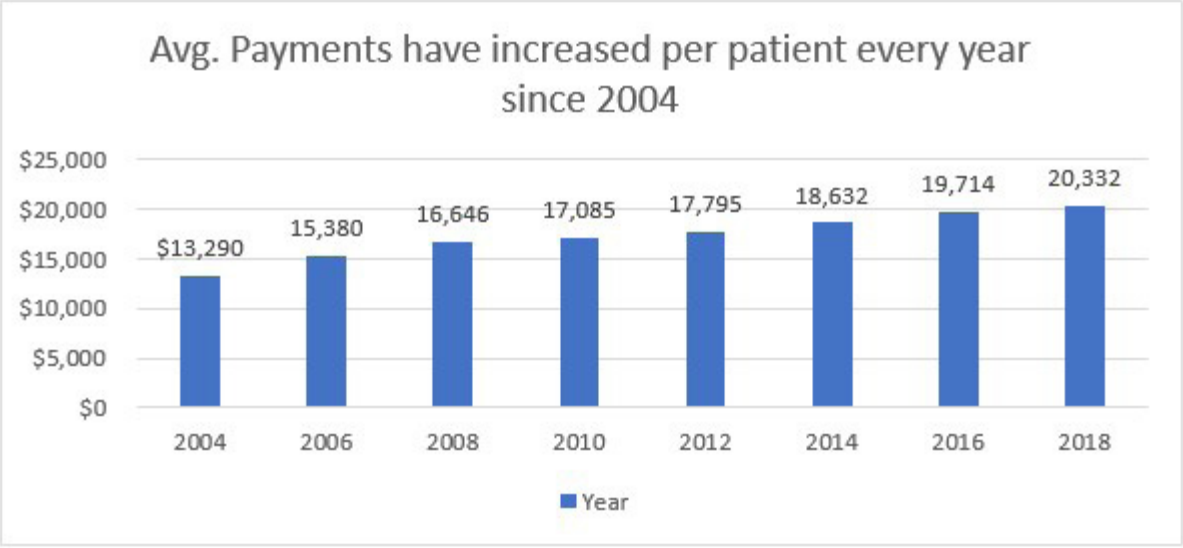
While they do hold their place in the healthcare industry, IRF's are medically held to a higher standard of care because they are designated as hospitals. For instance, an average stay at a Skilled Nursing Facility is longer by 26.5 days with more patients being admitted back to an acute care setting (emergency room) after being discharged. When compared to an IRF, more patients are sent home after 12.9 days with no issues after being discharged from an IRF.

1901 N. Central Expwy, Ste 300 • Richardson, TX 75080 • 214.379.8589 • metromarke.com

IRF's also require close medical supervision by a physician while Skilled Nursing Facilities don't. These types of conditions urge hospitals to send them to IRF's if there are enough beds available. The issue here is capacity due to lack of free standing IRF's compared to more than 5000+ hospitals, which creates a demand for IRF's. Patients at times are left with a choice of going to either a skilled nursing facility or a home health setting, which could be unfavorable to the patient due to their condition. The American Hospital association outlines a few key differences between the two:

Medicare Requirements for IRF's vs. Skilled Nursing Facilities (SNF)	IRFs	SNFs
Physician approval of preadmission screen and admission	Yes	No
Patient requires resource-intensive inpatient care	Yes	No
Close medical supervision by a physician with specialized training	Yes	No
Physician-coordinated multidisciplinary team, including medical plan of care, 24-hour registered nurse care and therapy	Yes	No
3 hours of intensive therapy; 5 days per week	Yes	No
Discharge rate to community*	76.0%	40.0%
Potentially avoidable rehospitalization during stay*	2.6%	10.9%
Potentially avoidable rehospitalization during 30 days after discharge*	4.7%	6.1%
Medicare fee-for-service spending (in billions) *	$7.9B	$28.4B

The quality of care for patients are seemingly positive from organizations due to the level of care including Medicare and the American Hospital Association.



1901 N. Central Expwy, Ste 300 • Richardson, TX 75080 • 214.379.8589 • metromarke.com

- Profit margins for Freestanding IRF's are significantly higher than hospital IRF's. Freestanding IRF Medicare margins lead all categories.

	2006	2008	2010	2012	2014	2015	2016	2017
All IRF's	12.5%	9.4%	8.6%	11.2%	12.2%	13.9%	13.3%	13.8%
Hospital Based	9.9%	3.8%	-0.6%	0.7%	0.7%	2.2%	0.9%	1.5%
Free Standing	**17.5%**	**18.2%**	**21.4%**	**23.9%**	**25.2%**	**26.7%**	**25.8%**	**25.5%**

*Sources: American Hospital Association Fact Sheet: Inpatient Rehabilitation Facilities – A Unique and Critical Service ;*2017 Data from Med Pac's March 2019 Report to Congress; Nobis Rehabilitation Partners – Historical Performance through Recession; https://www.aha.org/system/files/media/file/2019/07/fact-sheet-irf-0719.pdf; MetroMarke Rehab Partners Color Doc (Available upon re-*

quest), Alvarez & Marsal Post-Acute Care: Disruption (And Opportunities) Lurking Beneath the Surface