

MARKET INSIGHTS



Autism Services: *Addressing Post-Pandemic Labor Challenges*

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Autism Services: Addressing Post-Pandemic Labor Challenges

Autism therapy, one of the fastest growing sectors of healthcare prior to the COVID-19 pandemic, has continued to face a series of challenges in the post pandemic era. A shortage of applied behavior analysis (“ABA”) providers and increased incidence levels are creating a double whammy for autism service providers, resulting in challenges meeting basic staffing needs and rapidly escalating labor costs. Despite the industry’s current challenges, autism services continue to be one of the most active areas for investment within the healthcare universe. Industry operators and private equity firms are diligently working to capture pre-pandemic momentum and adopt best practices to successfully navigate labor bottlenecks and escalating staffing costs.

Institutional Investment

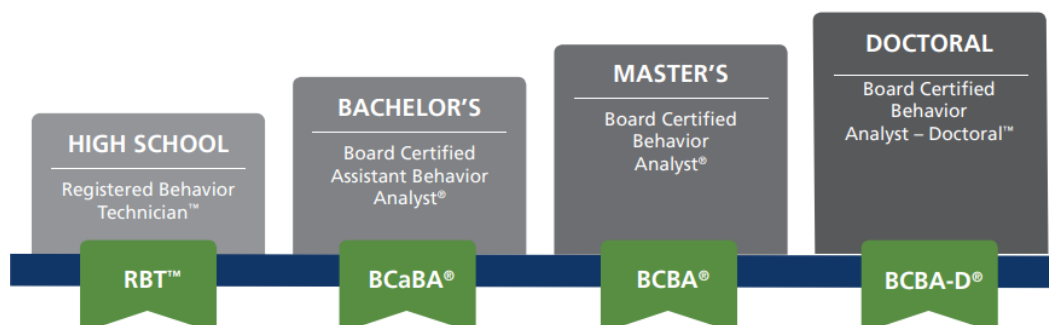
Universal health insurance coverage for autism disorder has fueled rapid growth in the number of children diagnosed with, and treated for, autism creating an enticing environment for investors. Between 2016 and 2021, the autism services sector witnessed over 125 private equity related transactions. Even with this growth, less than 20% of the autism service industry is owned by consolidators, providing significant opportunity for continued market investment.

Industry Drivers

In 2021, according to the CDC’s Autism and Developmental Disabilities Monitoring Network, approximately 1 in 44 (or 2.3%) children in the U.S. were diagnosed with traits along the spectrum of autism disorders (ASD). The 2021 prevalence estimate from data collected in 2018 is 241% higher than estimates from 2000. With a greater awareness, and all 50 states mandating insurance coverage, a formal diagnosis of autism is leading more families to appropriately seek intervention and support, creating an outsized demand relative to provider capacity.

ABA, which uses rewards to teach communication and daily living skills, is the most evidence-backed form of therapy for autistic children and one the few areas that attracts bipartisan political support. A growing body of research suggests that when delivered correctly, ABA materially boosts autistic children’s language and cognitive abilities. According to the U.S. Surgeon General’s Autism Treatment Report, ABA therapy is responsible for 45% of therapies administered to autistic children that are successful in the long term. Unlike eating disorder or substance abuse patients, who typically receive services for 30 to 120 days, autism patients may be under treatment for years, usually beginning early in life. The National Research Council recommends a minimum of 25 hours per week of ABA therapy, but for more severe cases, treatment could require as much as 40 hours per week.

The key issue of how to ensure people are qualified to deliver therapy effectively has become a point of contention as the value of ABA therapy depends greatly on who is delivering it. The Behavior Analyst Certification Board, a nonprofit corporation that establishes professional credentialing standards, credentials and recognizes practitioners at four levels. Each position varies from one another by education, certification and maintenance requirements.



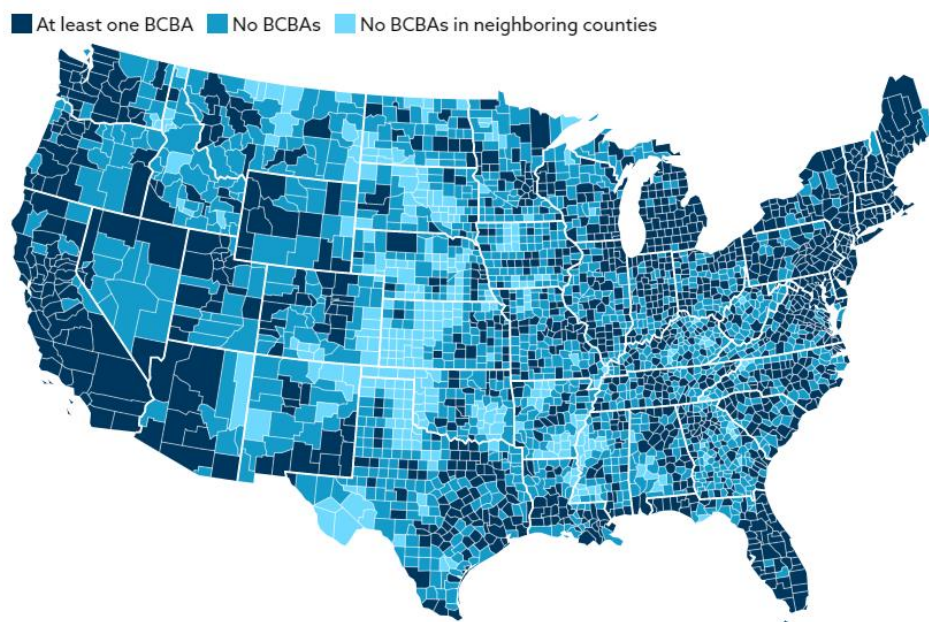
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The number of therapists certified to provide ABA has increased significantly in the past two decades; between 2018 and 2021, the number of BCBAs in the U.S. increased by 65%, from 27,320 to 45,103. However, a Stanford University School of Medicine study indicated that demand for autism treatment in the U.S. was 18x higher than available providers could handle.

Despite this growth, more than half of all counties in the U.S. lack a single BCBA, according to a 2021 study of Trends in Geographic Access to BCBAs led by Dr. Marissa Yingling. Among the counties with a BCBA, the ratio of autistic children to therapists varies radically — from fewer than 18 up to 328 children per therapist. Most ABA treatment plans require a patient to have 8-10 hours with an RBT for every hour with a BCBA. These ABA treatment plans allow for a high degree of leverage with senior clinical personnel but require a stable base of well-trained RBTs to be effective.

A deficiency of BCBAs results in less qualified technicians delivering critical care. Compared with higher levels of certification that require at least a college degree, RBTs need only a high school diploma, 40-hour course, background check, in-person assessment and, starting in 2016, a written test. On average, BCBAs can manage 5 to 10 RBTs simultaneously, but many are assigned to manage 15 to 20 RBTs due to the dearth of BCBAs. The shortage of ABA providers was an issue even before the pandemic, but with “The Great Resignation” sweeping across industries, finding qualified candidates has become a significant challenge for industry operators.

Presence of BCBAs in the U.S., by County



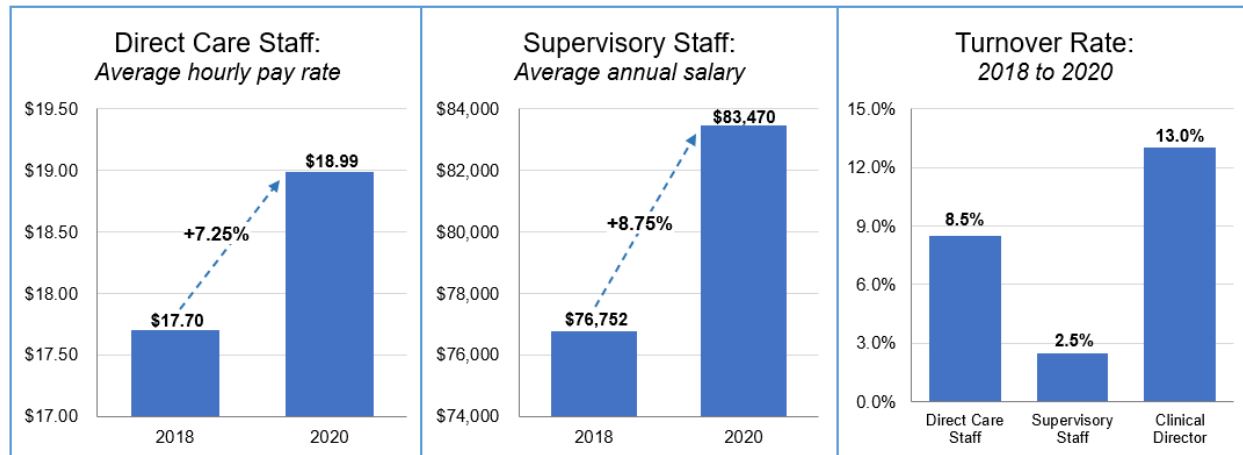
BCBA counts are estimates based on the number of BCBAs residing in each county according to data from the Behavior Analyst Certification Board. Ratios of autistic children to BCBAs are estimates based on the BCBA data as well as the U.S. Department of Education's Civil Rights Data Collection, which only includes children who attend public school and whose primary diagnosis is autism.
Map: Jaclyn Jeffrey-Wilensky Source: Yingling et al.

Labor Challenges

Intense competition for qualified therapy is causing high levels of employee turnover and rising labor costs and both have a tremendous impact on the financial health, quality of care, and sustainability of ABA organizations.

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ABA Compensation and Turnover Trends



Source: Behavioral Health Center of Excellence (BHC OE) 2021 ABA Compensation & Turnover Report

Rising hourly wages, salaries and turnover could signal higher ABA rates for patients and payors and more workforce instability for providers.

Addressing the Challenge

Despite COVID-19's impact on recruiting and retention within the ABA market, effective operators with robust in-house infrastructure to attract and retain talent, should be well positioned to grow in the current environment given the overwhelming demand. Successful providers must develop internal capabilities to continuously recruit, train and promote behavior technicians. ABA therapists have incredibly difficult jobs working for extended hours with patients facing complex challenges.

Solving the labor bottleneck takes a focused and consistent approach. A few key strategies include:

- **Perpetual recruitment** – Recruiting is not a waiting game. Actively partner with local universities and colleges to meet with soon-to-be-graduates, speak at industry conferences to showcase the company, utilize traditional and social media channels to advertise. Consider nontraditional candidate pools such as recent immigrants, parents whose children are in school, young people taking a gap year, and older people with a desire to make a socially significant part-time commitment.
- **Promote from within** – Create varied and incentivized opportunities for all employees to work towards credentials, including RBT, BCaBA, and BCBA. While this will not solve immediate staffing needs, it creates a steady stream of well-trained BCBAs in the long-term. Homegrown BCBAs have already demonstrated loyalty, consistency, dependability and aptitude.
- **Build a positive culture** – Balance a productive workplace with a collegial atmosphere. Make your business a place where caring people want to work and happy employees don't want to leave. Larger providers can serve more children and in theory hold down costs, but they can struggle in establishing a positive culture and exuding the caring feelings of small ABA providers, and, thus, keeping employees. Failure to build and transmit a positive culture from CEO to RBT is often a key driver of provider turnover. ABA operators who create positive, healthy, and rewarding working environments will hold and attract staff.

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- *Increased clinic treatments* – While ABA treatment plans can be delivered effectively in the home or in a clinic setting, the clinic setting allows for greater operational flexibility to optimize capacity and address unplanned absences by both therapist and patients. In addition, the clinic setting allows for enhanced supervisory oversight and interaction which can expedite training and certification.

The ABA sector is poised for continued rapid growth. Investors are in a strong position to expand and create the kinds of economies of scale that are common in other industries. Organizations that invest in infrastructure and back-office support, outcome tracking, compliance and IT systems will be in the best position to negotiate leverage with payors and generate powerful demand from both a client and investment perspective.

While COVID-19 dampened many growth assumptions due to both patient and provider churn, the burgeoning demand for autism services and adoption of operational best practices will position investors and operators successfully to navigate labor bottlenecks and escalating staffing costs and drive future growth. More importantly, rectifying these supply-demand imbalances will ensure proper access to quality care for the “Kiddos” in need of these important services.





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