

ESOP

Employee Ownership in Home Healthcare



What an ESOP is

An Employee Stock Ownership Plan (ESOP) is a qualified retirement plan that holds company stock in trust on behalf of employees. Employees earn beneficial ownership over time, typically at no out-of-pocket cost, and participate economically as the business grows.

How it Works

- 1 **Acquisition:** Avid acquires an agency through a stock transaction, with a defined ownership stake purchased by Avid's ESOP trust.
- 2 **Employee participation and ownership:** Employees do not buy shares; they earn ownership over time through the ESOP as part of their employment.
- 3 **Value Creation:** As the agency grows, the value of the ESOP stake grows, allowing employees to benefit economically from the company's success.
- 4 **Ongoing operations:** Day-to-day operations continue as usual, while ownership incentives shift toward long-term stability.

Why ESOPs in Home Healthcare

Home healthcare relies on:

- Caregiver continuity
- Trust-based patient relationships
- Long-term clinical quality

Traditional acquisition models often prioritize short-term financial returns, which can increase turnover and disrupt care delivery. ESOPs introduce long-term alignment between ownership, caregivers, and patient outcomes.

ESOP Benefits

Selling Owners

- Liquidity through a traditional sale process
- Legacy preservation through employee ownership
- Continued operational continuity for patients, caregivers, and leadership teams
- In qualifying structures, potential eligibility for Section 1042 tax deferral

Caregivers and Employees

- Participation in ownership without personal investment
- Retirement benefits tied to agency performance
- Improved engagement and retention
- Greater alignment between care quality and financial outcomes