



Healthcare Consolidation: A Review of Recent Trends and Transactions

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Speaker Biography - Chris Rogers



Chris Rogers joined the healthcare corporate finance team at Ziegler in 2014. He has over 18 years of healthcare investment banking experience and has executed over 50 transactions including strategic advisory assignments, public/private equity financings and fairness opinions principally for emerging growth and middle market companies in the healthcare services and healthcare information technology sectors.

Chris has worked with companies in the following sectors: outsourced clinical services, behavioral health, telehealth/remote monitoring, revenue cycle, alternate site care providers, disease management and healthcare information technology.

Speaker Biography - Colin McDermott



Colin McDermott, CFA, CPA/ABV is a managing director with VMG Health. McDermott specializes in providing financial, valuation, and transaction advisory services to healthcare facilities and organizations. McDermott has assisted numerous non-profit and for-profit clients with valuation analysis related to ASC 805 Business Combinations and has issued valuation opinions on the fair value of intellectual property and other intangible assets acquired as a result of the acquisition of acute care hospitals, ambulatory surgery centers, rehabilitation hospitals, multi-specialty physician groups, imaging centers, laboratories, home health agencies and other healthcare entities.

Overview

▶ Review by Sector

- Acute Care Hospitals
- Physician Services
- Urgent Care
- Behavioral Health
- Home Health
- MHealth

▶ Valuation & Transaction Trends

- Who are the Buyers
- Access to Capital
- Transaction Multiples

Do you work for?

- ▶ **1) Accounting Firm**
- ▶ **2) Health System**
- ▶ **3) Ancillary Healthcare Service Provider**
- ▶ **4) Physician Group**
- ▶ **5) Other**

ACA Driving Transformation

Changing Healthcare Delivery Model

- New care delivery and payment systems to improve outcomes, decrease costs, and increase value
- Focus shifting to prevention and lower-cost care settings, and away from “Fee For Service”
- Providers increasingly investing in technology infrastructure to leverage data in care delivery and to increase efficiency
 - Health and Human Services has set a goal of tying 85% of traditional Medicare payments to quality or value by the end of 2016

Key Hospital Trends

- Hospitals rethinking “4-walled” business models and focusing on care coordination
- Shift towards community-based healthcare services to provide better holistic care for patients
- Hospitals increasingly looking to contract with scaled providers that can provide multiple solutions

ACA Driving Transformation

Physicians Opting for Hospital Employment Over Private Practice

- From 57% independent in 2000 to only 33% independent in 2015⁽¹⁾
- Appeal of fixed salary vs. variable compensation model
- Interest in work-life balance

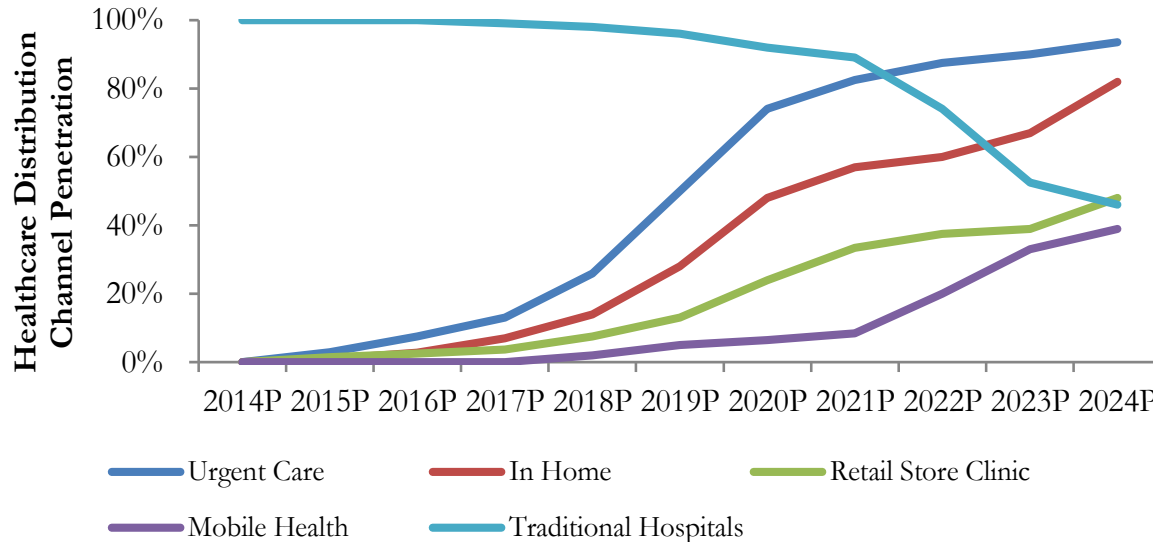
Transaction Themes

- Many healthcare industry segments are highly fragmented market with opportunity to gain competitive advantages through scale
- Cost saving opportunities by centralizing overhead function, gaining economies of scale and increased negotiating leverage with payors and vendors
- Investment in experienced management team that can drive scale, leverage efficient IT / operational infrastructure and ensure high quality clinical care

(1) Association of Independent Doctors

ACA Driving Transformation

▶ Access Shifted to More Convenient and Cost Effective Channels



In your opinion, what is the most significant ACA driver of consolidation?

- ▶ **1) New payment models**
- ▶ **2) Benefits of scale**
- ▶ **3) Expansion of the continuum of care**
- ▶ **4) Focus on lower cost of care setting**



Acute Care Hospitals

Market Overview – Acute Care Hospitals

- ▶ **There are headwinds facing the hospital industry that are driving consolidation**
- ▶ **Positioning of health systems to deal with changing reimbursement models and population health management**
- ▶ **Recognizing need for economies of scale to ensure ability to access capital and manage costs for continuum of care**
- ▶ **Despite some recent positive industry trends, hospitals continue to explore M&A to address negative outlook**

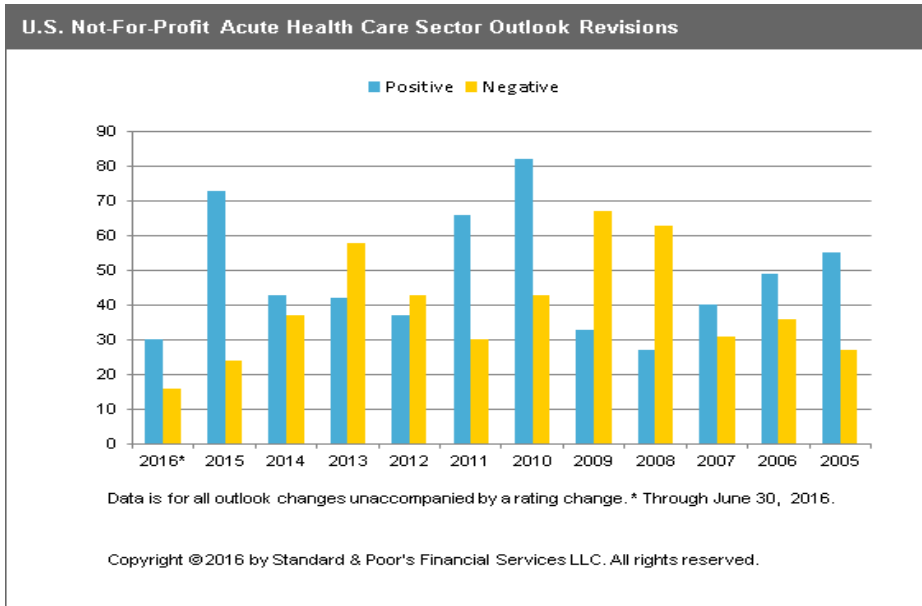
Market Overview – Acute Care Hospitals

- ▶ **The hospital industry is fragmented and dominated by not-for-profits**
- ▶ **While the total number of hospitals in the country has remained relatively steady, many analysts believe stand-alone operators will need a larger, stronger partner**

System Category	Identified Systems	Hospitals (Rounded)
Total Major Systems (10 + Hospitals)	63	1,800
Regional Health Systems (5-9 Hospitals)	65	400
Local Health Systems (2-4 Hospitals)	199	550
Government Hospitals (state, county, and city)	866	1,100
Academic Health Systems	59	100
Single Hospital Health Systems (non-government)	1,350	1,350
Total (Rounded)	2,600	5,300

Market Overview – Acute Care Hospitals

- ▶ For all acute health care ratings, the ratings distribution and outlook distributions remained largely stable between Dec. 31, 2015 and June 30, 2016
- ▶ Positive outlook movement for those organizations in Medicaid expansion states



Industry Drivers – Reimbursement

- ▶ “Hospitals are operating under two very different reimbursement models, which is contributing to margin erosion. Traditional fee-for-service, in which higher patient volume leads to higher revenue, has different incentives and staffing models from emerging reimbursement models that emphasize preventative care and the avoidance of hospital stays. The ACA and purchasers of healthcare are encouraging shifts in reimbursement models in an effort to reduce healthcare spending.”

Industry Drivers – Reimbursement

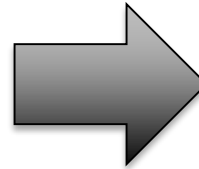
Current Environment

Fee for Service

HMO / Risk Based Models

High Deductible Plans

Quality Incentives and Shared Savings



The Next Five Years

Risk Sharing

Bundled Payments

Narrow Networks

Value-based
Purchasing

???

Hospital Trends & Transactions

▶ Disciplined approach to M&A

- Increased scrutiny and selectivity towards deals/targets
- Increased willingness and ability to walk away unless the target and deal structure fit the strategic objective
 - Health systems can't afford to do a "bad deal" for fear of a rating agency downgrade or financial consequence

▶ **"...we actually have probably a dozen of our markets where we have various discussions and it's really all about putting our assets into a system, if you will, whether it's owned or joint venture, where we're in a #1 or #2 position. I think we're well positioned for the future."**

- *Keith B. Pitts, Vice Chairman, Tenet Healthcare Corporation [Q4 2014 Earnings Call]*

▶ **"...we're interested in the opportunity to grow through acquisitions that are appropriate or that have the right market dynamics and recourse for the right pricing discipline."**

- *R. Milton Johnson, CEO, HCA Holdings, Inc. [Q4 2014 Earnings Call]*

▶ **"Tenet is being invited into many discussions, giving us the ability to be selective in deciding which transactions will create the most value over the long term."**

- *Trevor Fetter, CEO, Tenet Healthcare Corporation [Q2 2014 Earnings Call]*



Physician Services

Physician Services

Physician services have been included in the consolidation wave.

Consolidation is being driven by:

- ▶ **Hospitals** – Purchasing primary and specialty care providers
- ▶ **Private Equity** – Buying into Emergency Medicine, Anesthesiology, and Radiology
- ▶ **Payors** – Willing to make acquisitions for the right opportunities

Emergency Medicine - Market Overview

▶ Emergency Department Management - Market Overview

- \$12+ billion market¹ that has experienced significant consolidation over the last 15-20 years
- 70% of market outsourced²

▶ Practice consolidators attracted to favorable industry dynamics:

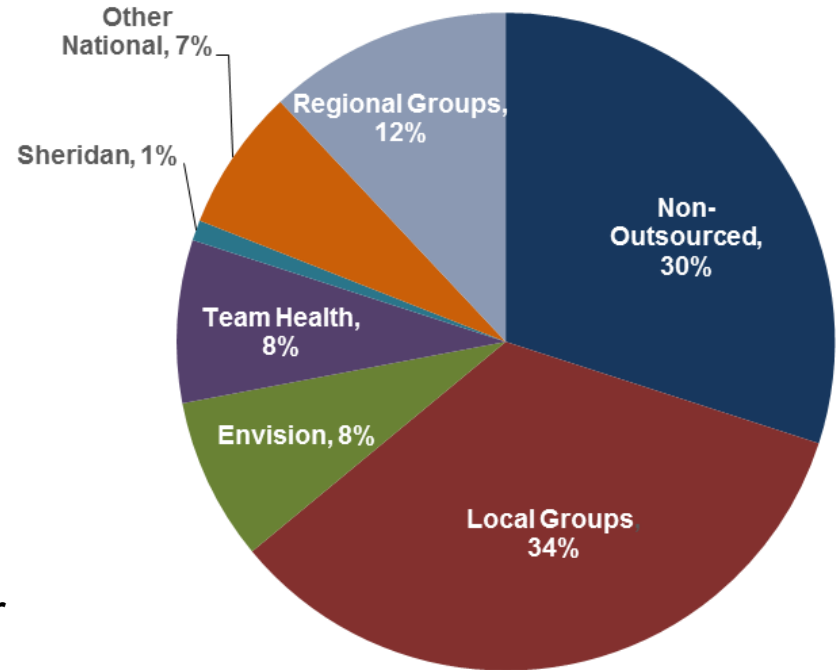
- Projected volume growth and utilization driven by aging population and Healthcare Reform
 - Source of 50% of all inpatient admissions
- Drives overall market share via increased ED traffic and high patient satisfaction

(1) TeamHealth estimates, Nov 2015

(2) Envision Healthcare 2015 10-K report

Emergency Medicine - Market Consolidation

- ▶ In 2000, ~55% of emergency department services were outsourced to local, regional, and national providers¹
- ▶ In 2015, ~70% of emergency department services were outsourced²:
 - National providers accounted for 24%
 - Regional providers accounted for 12%



(1) Wall Street Research – CIBC's Initiating Coverage of Emergency Medical Services (Jan 2006)

(2) Envision Healthcare 2015 10-K report

Anesthesiology - Market Overview

- ▶ **\$21 billion market¹ with market consolidation accelerating over the last 5 years**
 - 50% of market outsourced
 - Anesthesia is still far less consolidated than emergency medicine
 - Less than a decade ago, Sheridan was the only anesthesia practice of scale²
- ▶ **Practice consolidators attracted to favorable industry dynamics:**
 - Growing demand for surgical procedures driven by aging population and Healthcare Reform
 - Growing importance of anesthesia; strong anesthesia service allows hospitals to add new, profitable surgical lines

(1) TeamHealth estimates, Nov 2015

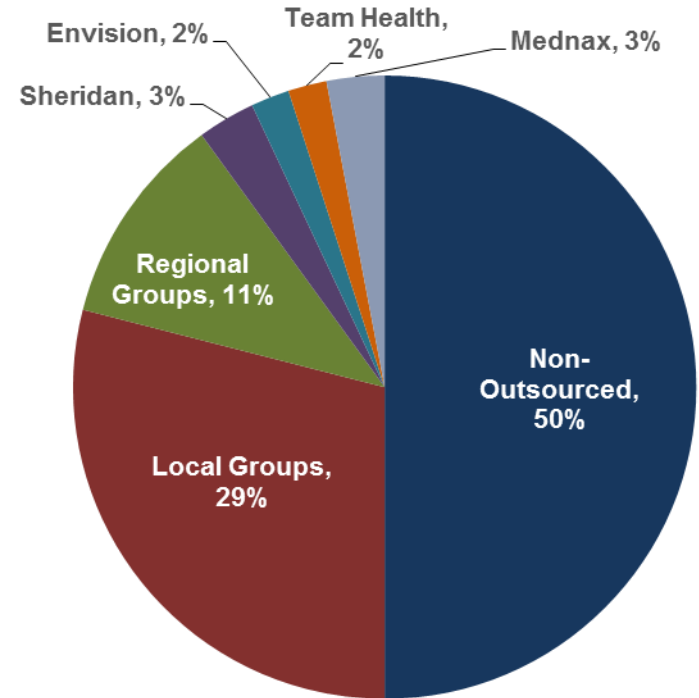
(2) Team Health SEC filings (2010, 2013 & 2015)

Anesthesiology - Market Consolidation

▶ Market consolidation began accelerating over the last 5 years

- In 2013, national and regional providers accounted for 18% of the market¹
- In 2015, national and regional providers accounted for 21% of the market¹

▶ The percentage of anesthesia physicians working for a large national consolidator has grown from ~4% in 2011 to ~8% as of February 2016²



(1) Team Health SEC filings (2010, 2013 & 2015)

(2) Frenetic consolidation: The anesthesia market today & where ASCs fit in (Feb 2016)

Notable Recent Transactions - Physician Services

	2011	2012	2013	2014	2015	2016
Multi-Specialty	<p>Target: EMSC Acquirer: CDR</p>	<p>Target: Healthcare Partners Acquirer: DaVita</p>	<p>Target: Baldwin Physician Services, Tri-country Emergency Physicians Acquirer: Team Health</p>	<p>Target: Phoenix Physicians Acquirer: Envision Healthcare</p>	<p>Target: Concentra Acquirer: Welsh, Carson</p>	<p>Target: Emergency Physicians Medical Group Acquirer: Envision Healthcare</p>
	<p>Target: Monarch Acquirer: United Healthcare</p>	<p>Target: Metropolitan Acquirer: Humana</p>	<p>Emerald Physicians Acquirer: Cape Cod Healthcare</p>	<p>Target: Sheridan Healthcare Acquirer: AmSurg</p>	<p>Target: Hospital Physician Partners Acquirer: Schumacher Group</p>	<p>Target: Team Health Acquirer: Blackstone</p>
	2011	2012	2013	2014	2015	2016
Anesthesiology	<p>Target: Northwood Anesthesia Associates Acquirer: Envision Healthcare</p>	<p>Target: U.S. Anesthesia Formed by: Welsh, Carson</p>	<p>Target: Anesthesiologists Associated Acquirer: MEDNAX</p>	<p>Target: Fla. Gulf-to-Bay Anesthesiology Acquirer: Team Health</p>	<p>Target: Atlantic Anesthesia Acquirer: North American Partners in Anesthesia</p>	<p>Target: North Florida Anesthesia Consultants Acquirer: Sheridan Healthcare</p> <p>Target: Lighthouse Anesthesia, Hanover Anesthesia Group Acquirer: MEDNAX</p>

(1) Emission Healthcare and AMSURG announce merger on June 15, 2016 – expected to close by year-end 2016



Urgent Care

Urgent Care - Market Overview

- ▶ **The \$15.8 Billion Urgent Care Industry is Expected to Grow 6.3% Annually Through 2019**

- This will be driven in part by increased patient volume from health systems

Consolidation is being driven by:

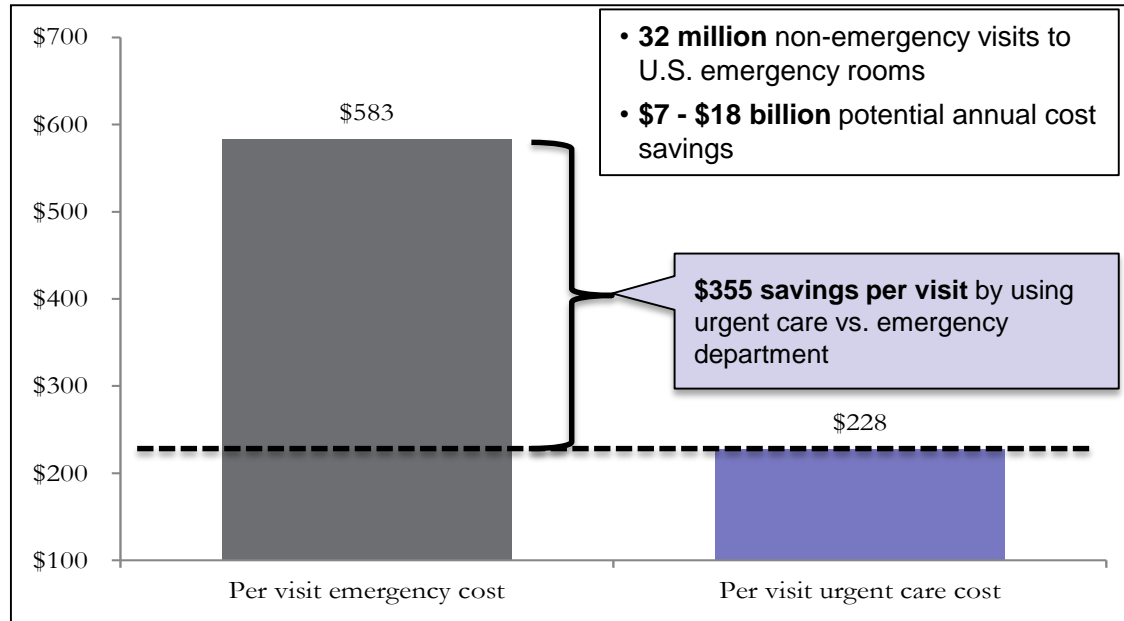
- ▶ **Insurance Groups** – Networking with providers that can provide high-quality, cost-effective care
- ▶ **Hospitals** - Aiming to expand their outpatient departments, increase ambulatory presence
- ▶ **Private Equity Firms** – Financial buyers who are familiar with healthcare are recognizing opportunity or are seeking to create rollups

Urgent Care - Market Overview



Industry Drivers - Cost Effective Solution

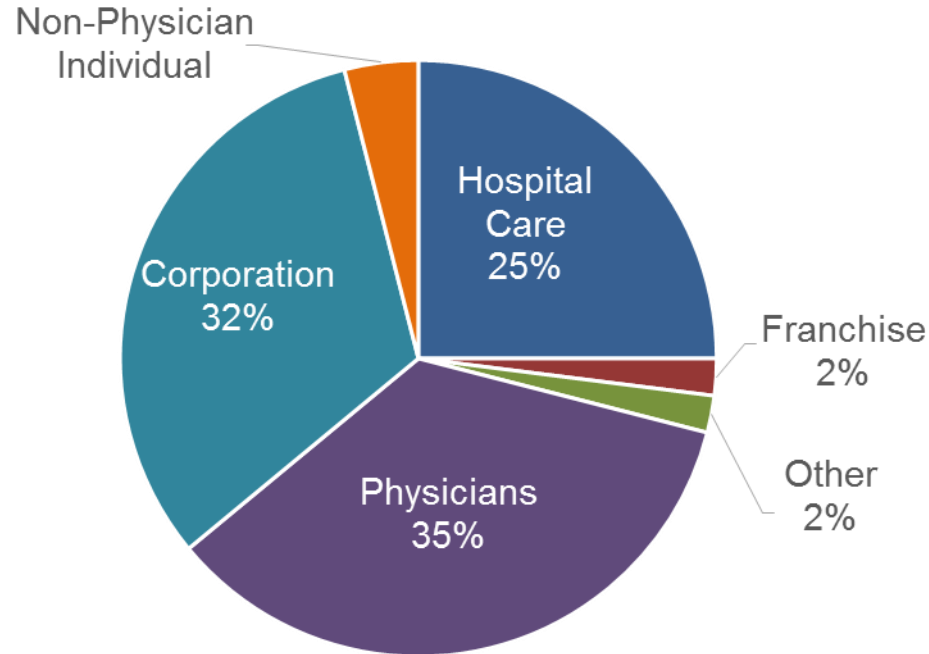
Urgent Care Cost Savings vs. Emergency Department (2014)



- ▶ **As the Cost of Healthcare Treatment Continues to Rise, Urgent Care Offers a Compelling Low-Cost Alternative For Delivering Care Outside the Hospital**

Industry Drivers - Highly Fragmented Market

Urgent Care Ownership



- ▶ The industry consists of approximately 9,900 total urgent care centers

Urgent Care Transactions

Date Announced	7/2/2012	4/3/2014	6/27/2014	10/27/14	3/23/2015	4/15/2015	5/21/2015	1/4/2016	2/26/2016	8/23/2016
Target		 								
Buyer										

- Strategic buyers seeking to provide ambulatory solutions for health system partners: Referral sources; Appropriate acuity setting for at-risk systems / ACOs / plans
- Innovative JV and NFP models allow health systems to partner with clinic entities
- Health systems seeking to flesh out local market footprints, add quality physicians, and brand-name clinics / partners
- Organizations seeking to provide primary tools to employers seeking effective ways to manage healthcare costs
- Financial sponsors
 - Familiarity with the space
 - Seeking to roll up smaller players for sale to larger consolidators



Behavioral Health

Behavioral Health - Market Overview

- ▶ **Behavioral health issues are now at the forefront of medical care and combined with strong macro healthcare tailwinds will drive interest and consolidation in the sector**
- ▶ **Recent tragic events linked to mental health are drawing attention to the diagnosis and treatment of behavioral health illnesses**
- ▶ **Rising costs will drive healthcare systems to integrate across the continuum of care to control costs**

Behavioral Health - Industry Drivers

Insurance Companies Seeking Compliance with Legislative Changes are Influencing Industry Consolidation

Large, Highly Fragmented Sector With a Growing Percentage of For-Profit Providers

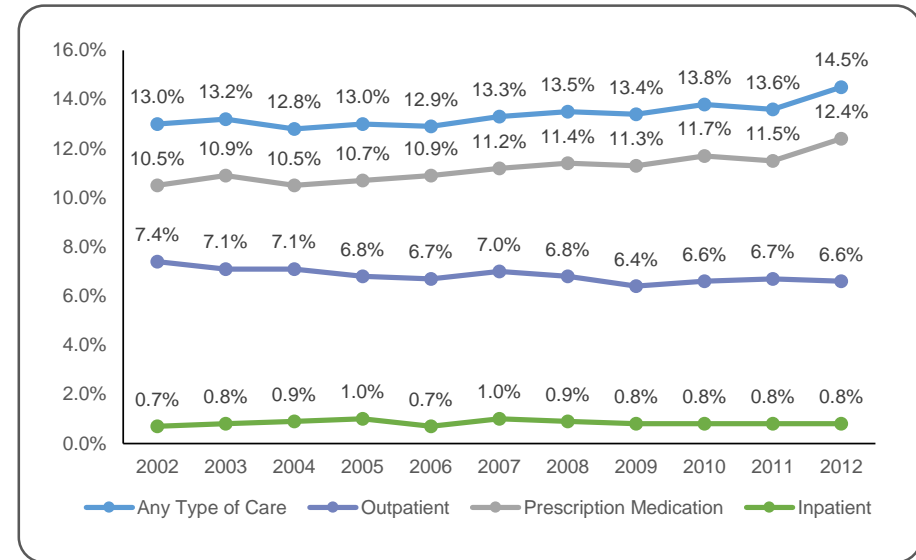
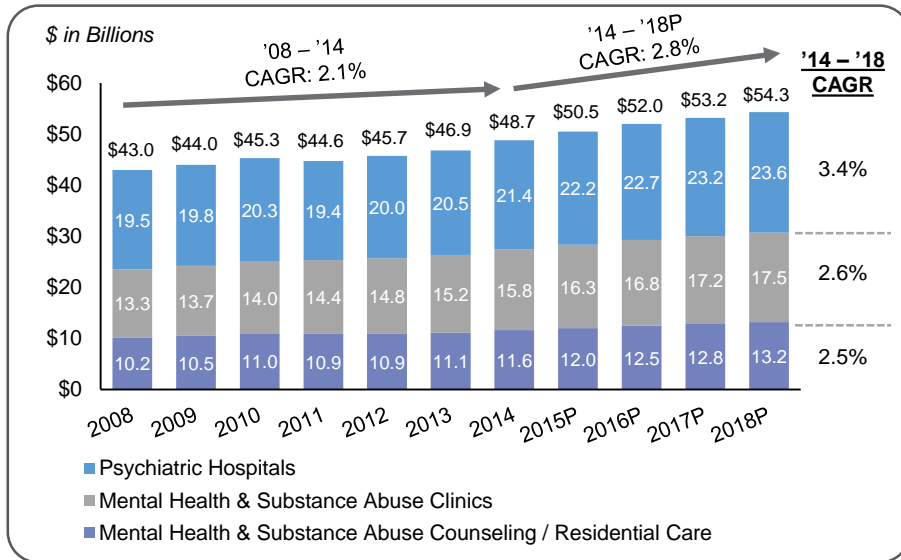
Behavioral Health Integration is Viewed as a Key to Cost Containment

Favorable Supply and Demand Dynamics Within the Industry Will Continue to Drive Growth

Increased Awareness and Acceptance of Behavioral Health Issues

Behavioral Health - Industry Drivers

- ▶ Due to the increased use of mental health services, behavioral health is poised for growth

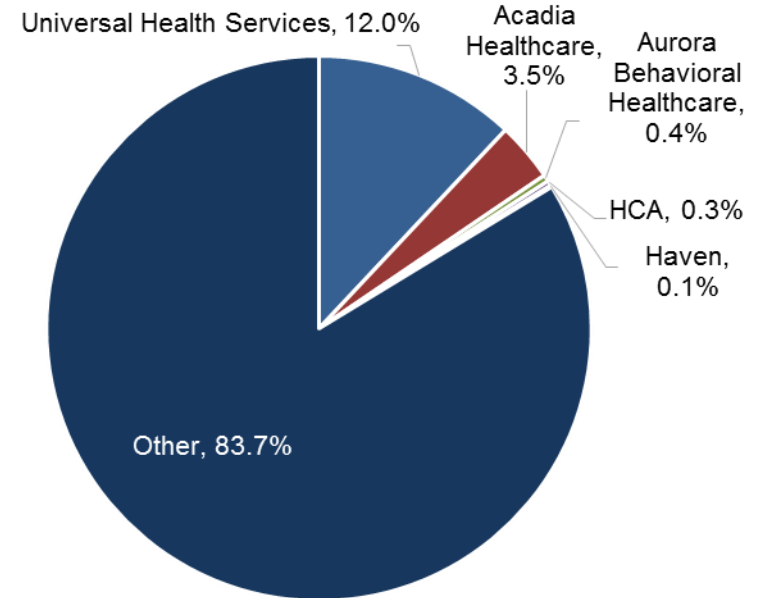


Behavioral Health - Industry Drivers

▶ The Industry is Positioned to Benefit From Favorable Trends:

- Prevalence of Mental Health Conditions
- Favorable Legislative Environment
- Mental Health Spending
- High Barriers to Entry
- Critical to Continuum of Care Models
- Innovative Partnerships Being Forged
- Highly Fragmented Industry with Small Establishments
- Shrinking Bed and Facility Supply

Behavioral Care Market Players Market Share by Bed Count

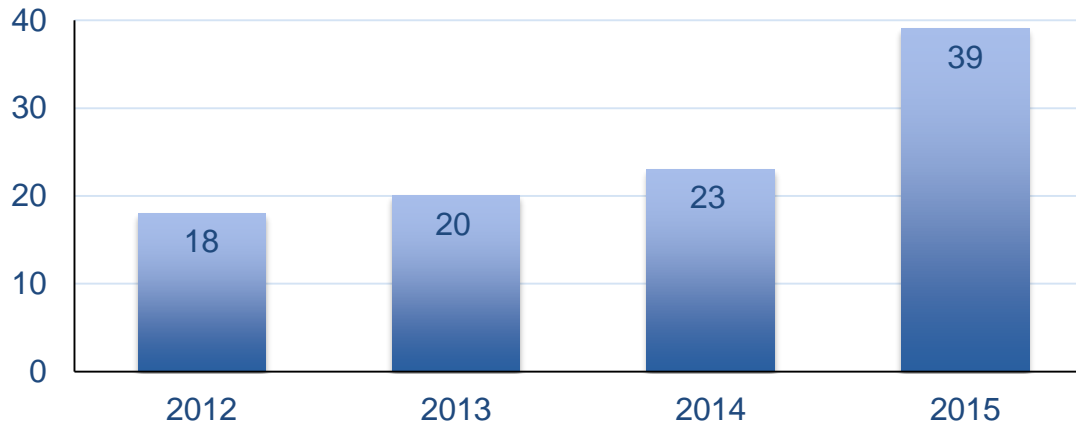


Source: American Hospital Association's Trend Watch January 2012, Wall Street research

Behavioral Health - Trends and Transactions

- ▶ Over the past few years the behavioral health sector has experienced growing interest and activity as illustrated in the growth of M&A transactions between 2012 to 2015

Behavioral Health Deal Volume



Behavioral Health - Trends and Transactions

Date	Target	Acquirer	Classification	Primary Service Model
TBD	Centria Healthcare	TBD	Autism	Home
Q3 2016	Haven Behavioral Healthcare	Brown Brothers Harriman	Mental Health	Inpatient, Clinic
Q2 2016	Autism Behavioral Consulting	CARD Capital	Autism	Home
Q2 2016	Rehabilitation Associates	Epic Health Services	I/DD	Clinic
Q2 2016	Solutions Recovery	American Addiction Centers, Inc.	Substance Abuse	Detox, Partial, Outpatient
Q2 2016	Arizona Counseling & Treatment Services LLC	Assurance Health Services, Inc.	SA, MH	Centers, Outpatient
Q2 2016	Mazzitti & Sullivan Counseling Services, Inc.	Pyramid Healthcare, Inc.	SA, MH	Centers, Outpatient
Q1 2016	Noble Care	Res-Care Inc.	I/DD	Group Home
Q4 2015	Meridian Behavioral	Audax Group	MH, Special Needs	Outpatient
Q4 2015	MMO Behavioral	Acadia Healthcare	Mental Health	Inpatient
Q4 2015	AdvoServ	Wellspring Capital	I/DD	Group Homes
Q4 2015	Start Fresh Private Management	MyLife Recovery Centers	Substance Abuse	Outpatient
Q3 2015	Providence Human & Community	Molina Healthcare	Special Needs	Group Homes, Outpatient
Q3 2015	Florida Autism Center	Shore Capital Partners	Autism	Center & School
Q3 2015	Specialized Education	Catapult Learning	Special Needs	Center & School
Q3 2015	Greenlight Recovery	Sherwood Hills Recovery	Substance Abuse	Residential
Q3 2015	Futures Behavior Therapy	Community Intervention	Autism	Clinic & School
Q3 2015	Alpha Hospitals	Universal Health Services	Mental Health	Inpatient
Q3 2015	Community Psychiatric	New Harbor Capital	Mental Health	Outpatient
Q3 2015	Brookdale Care Services	Trascare	I/DD	Inpatient, Residential



Home Health

Home Care – Market Overview

- ▶ **Trends toward accountable care models mandate a stronger level of coordination in crafting and executing treatment plans**
 - US healthcare industry spends \$700+ billion a year on unnecessary tests and procedures that could be avoidable with better care planning¹
 - Hospitals have been ineffective in coordinating post-discharge / transitional care for patients, demonstrating limited success in utilizing preventative care strategies in the low-cost and effective community-based settings (driving unnecessary readmissions and costs)

Source: 1) Thomson Reuters 2) Advisory Board

Home Care – Market Overview

▶ Lack of care coordination and data sharing has led to an inefficient and siloed ecosystem

- Nearly 20% of all Medicare patients are readmitted to the hospital within 30 days of discharge¹
- The most common chronic diseases are costing more than \$1 trillion annually to treat and are projected to reach \$6 trillion by 2050²
- Chronically ill beneficiaries are 100 times more likely to have a preventable hospitalization⁶

▶ High risk populations continue to drive the majority of healthcare costs

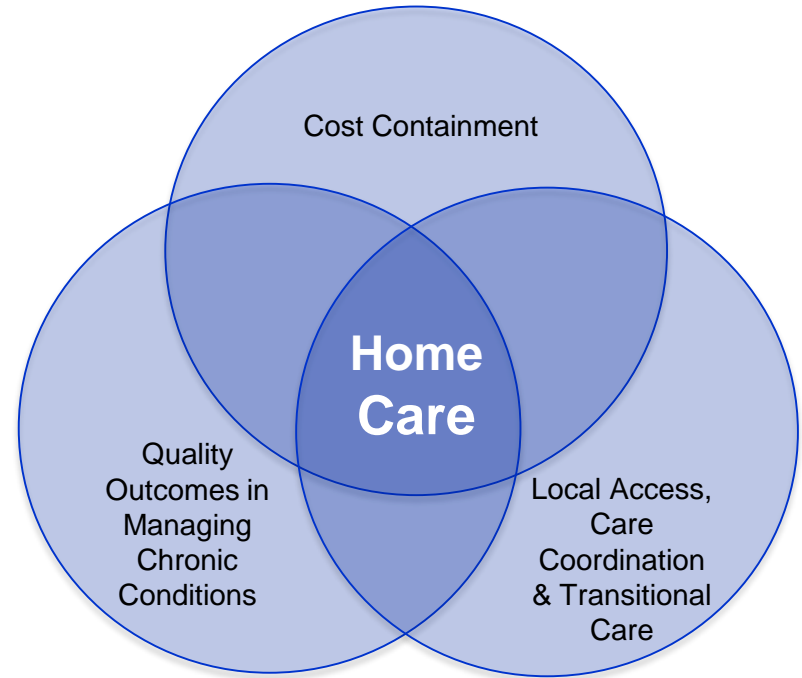
- Elderly account for ~13% of the US population and are expected to grow to 20.2% of the population by 2050³
- 50% of all healthcare spending is used to treat just 5% of the population⁴
- 20% of Medicare beneficiaries command 79% of annual Medicare spending⁵
- Chronic diseases currently affect 133 million Americans and is expected to increase 37% over the next twenty years⁷

Source: 1) Robert Wood Johnson Foundation 2) The Milken Institute 3) US Dept of HHS 4) Kaiser Family Foundation 5) MedPAC 6) American Academy of Home Care Physicians 7) Chronic conditions: making the case for ongoing care

Home Care – Industry Drivers

▶ Opportunity to Advance Care and Communication

- Due to the increased financial and clinical accountability, organizations are focused on shifting care out of expensive institutions (senior living, rehab centers ER, hospital)
- Home care aides are positioned to be extensions of care and case management teams, with the ability to preventatively detect and address changes in physical, mental and environmental conditions
- The transition to managed care and the demands for greater transparency, value-based payment models and contraction of networks will accelerate consolidation in the fragmented home care space



Home Health Transactions

Acquirer	Target	Announcement Date
LifePoint	LHC Group	11/02/2016
Almost Family, Inc.	Community Health Systems Home Health and Hospice Unit	10/17/2016
Compassus	Genesis' home health and hospice	03/09/2016
Almost Family, Inc.	Black Stone Operations, LLC	11/04/2015
Amedysis, Inc	Infinity HomeCare	11/03/2015
Encompass Home Health & Hospice	CareSouth Health System, Inc.	08/31/2015
Almost Family	WillCare HealthCare	02/25/2015
Accelera Innovations, Inc.	Traditions Home Care, Inc.	01/21/2015
HealthSouth Corporation	Encompass Home Health and Hospice	11/24/2014
Kindred Healthcare, Inc.	Gentiva Health Services, Inc.	10/09/2014
LHC Group, Inc.	Life Care Home Health, Inc.	07/15/2014
LHC Group Inc.	Deaconess HomeCare	02/03/2014
Kindred Healthcare, Inc.	Senior Home Care, Inc.	11/04/2013
Gentiva Health Services, Inc.	Harden Healthcare Holdings, Inc.	09/19/2013
Almost Family, Inc.	Indiana HomeCare Network	07/17/2013
LHC Group Inc	Home Health Service Line of Addus	02/07/2013
Kindred Healthcare, Inc.	Homecare Advantage, Inc.	12/17/2012
Emeritus Corporation	Nurse on Call Inc.	11/01/2012
Kindred Healthcare Services, Inc.	IntegraCare Holdings, Inc.	08/20/2012
Bayada Home Health Care, Inc.	Home health care business	01/30/2012

MHealth & Telehealth

MHealth – Market Overview

- ▶ **Industry Overview – MHealth is a sub-segment of eHealth (the use of information and communication technology to deliver healthcare services)**
- ▶ **Segment Overview – MHealth is the practice of medicine supported by mobile devices for improved healthcare delivery and information management**
- ▶ **Applications – MHealth uses mobile devices to collect data, deliver healthcare information to providers/researchers/patients, monitor patients, and provide care**
- ▶ **Goals – The goal of MHealth is to reduce costs and improve outcomes by making healthcare more easily accessible**

MHealth – Market Overview - Trends & Drivers

- ▶ **Acceptance and commoditization of enabling technologies, from smartphones to peripherals**
 - Lower cost, secure, easier to use and integrate
- ▶ **Promise of highly sophisticated mobile disease state solutions gaining rapid acceptance as a standard of care**
 - Cardiac (CHF, COPD, CF, asthma, others), diabetes, high-risk pregnancy, and STDs
- ▶ **Increasing availability and utilization of employer and payor "rewards" programs to drive improved behavior**
- ▶ **Pharma and CROs embracing mobile technology to improve study access and compliance**
- ▶ **In-hospital clinical use cases rapidly expanding as early entrants (telerad, telestroke, cardiac monitoring) proved favorable outcomes and measurable ROIs**
 - Emerging rapidly: psychology, ICU, NICU, pathology

MHealth – Market Overview - Trends & Drivers

- ▶ **Shift from fee-for-service to fee-for-value driving economic validation for RPM and telehealth solutions**
- ▶ **Improving data fluidity creating limitless analytic opportunities**
 - Administrative and clinical benefits
- ▶ **Improving regulatory environment – FDA, state, and federal**
- ▶ **Improving reimbursement environment**
 - Readmission penalties and increasing co-pays creating economic justification for MHealth solutions
- ▶ **Step-down home healthcare and long-term care providers increasingly adopting RPM and caregiver solutions**
 - Shift of care to home = importance of caregiver collaboration
- ▶ **Telepsych / behavioral health notable topics in 2015 – 2016**

MHealth - Applications

- ▶ **Adherence / Compliance monitoring**
 - Medication
 - Rehabilitation
 - Discharge instructions
- ▶ **Chronic disease management**
- ▶ **Communications**
 - PERS
 - Remote consults
 - Sub-specialty second opinions
- ▶ **Concierge medicine**
- ▶ **Education / Content**
- ▶ **Emergency department**
- ▶ **Personalized medicine**
- ▶ **Physical fitness**
- ▶ **Prevention / Wellness**
- ▶ **Digital Radiology / Pathology**
- ▶ **Remote Monitoring**
 - Aging at home
 - Asthma
 - Cardiac
 - Psych
 - Diabetes
 - Special Needs
 - High-risk pregnancy
- ▶ **Retail / Kiosks**
- ▶ **Screening**

Telehealth Industry Outlook

Recent Advances Are Breaking Down the Existing Barriers that the Telehealth Industry Faces and Future Solutions will Accelerate the Growth of Telehealth Providers

▶ Past Advances and Lowered Barriers

- IT Infrastructure
- Telco Infrastructure
- Interoperability
- Cost
- Ease of Use
- Demonstrable Ongoing Engagement
- Medical Malpractice Concerns
- Regulatory Hurdles
- Reimbursement Advances
- Broad Awareness and Trust Across the Ecosystem

▶ Disruptive Solutions and Structural Advances Looking Ahead

- Aligned Financial Incentives
- Med App Formularies
- Predictive Analytics
- Targeted Social Networking
- Artificial Intelligence
- Avatars
- Implantable Devices
- Digestible Sensors
- Smart Tattoos
- Genomic Coordination

The telehealth sector will continue to develop disruptive solutions and leverage ever-improving data analytics to enable evidence-based solutions that seamlessly blend into existing workflows of all healthcare stakeholders

Telehealth as a Driving Force in Healthcare

- ▶ **Health Systems**
- ▶ **Employers**
- ▶ **Consumers and Patients**
- ▶ **Payors**
- ▶ **Physicians**
- ▶ **Pharmacies**
- ▶ **Senior Living**



MHealth - Telemedicine Over Arching Trends

▶ Coverage

- Private & Government Payers
 - As experience with Telemedicine increases, so will telemedicine coverage.

▶ Increasing video conferencing usage

- Rural Healthcare

▶ Demand & growth of telemedicine companies

- Teladoc (NYSE:TDOC)
 - Telephone and videoconferencing technology
 - On-demand remote care via mobile devices, the internet, video and phone.
- MDLIVE - Online doctors and psychologists on call
- Avizia – Telemedicine devices, software and services

Which of these sectors will experience the most significant consolidation going forward?

- ▶ **1) Acute Care Hospitals**
- ▶ **2) Physician Services**
- ▶ **3) Urgent Care**
- ▶ **4) Behavioral Health**
- ▶ **5) Home Health**
- ▶ **6) MHealth**
- ▶ **8) I don't know.**



Valuation Trends

Buyers, Multiple Trends, and Financing

Urgent Care Case Study - PE Firm Transactions

▶ PE capital:

- Easy access to capital is driving higher multiples.
- Targeting urgent care, dermatology, anesthesia, and radiology

▶ Objectives

- Looking for platform
- Expand into other regions
- Add sophistication
- Systems infrastructure
- Growth capital
- Strategic exit

Acquirer	Announced	Target
RevelStoke	Aug-16	FastPace Urgent Care
Abry Partners	Oct-15	FastMed Urgent Care
Urgent Team	Sep-15	Petra Capital
Well Street Urgent Care	Sep-15	FFL Partners
CRH Healthcare	Aug-15	Physicians Immediate Med
Seacoast Capital	Jul-15	Righttime Medical Center
Enhanced Equity	Feb-14	Next Care
Summit Partners	Jan-14	CityMD
Ridgemont Equity Partners	Jun-12	Hometown Urgent Care & Occupational Health
Brockway Moran & Partners	Apr-12	MD Now Urgent Care
Welsh, Carson, Anderson & Stowe	Apr-11	CareSpot Express Healthcare
Elm Creek Partners	Jan-11	MHM Urgent Care

Urgent Care Case Study - Hospital Transactions

▶ Value of Urgent Care to Acute-Care Hospital System

- Geographic coverage
- Consumerism
- Knowledge of markets
- New patients in the system

Acquirer	Announced	Target
Multicare Health System	Sep-16	Immediate Clinic
Tenet / USPI	Jan-16	CareSpot Express Healthcare
HCA	Nov-15	Urgent Care Extra's Nevada Operations
CHRITUS Health	Oct-15	Velocity Urgent Care Treatment Centers
CHRISTUS San Antonio	Jul-15	Urgent Care of Texas
Bon Secours St. Francis Health System	Jun-15	4 AFC / Doctors Express Urgent Care Clinics
HCA	Oct-14	Care Now
Carroll Hospital Center, Inc.	Jun-14	MyCare Express
Baptist Health South Florida, Inc.	May-14	MaxCare Urgent Treatment Center
Nemours Children's Hospital	Mar-14	After Hours Pediatric Urgent Care
Mount Carmel Health System	May-13	Mount Carmel Urgent Care
Dignity Health	Jul-12	US Health Works

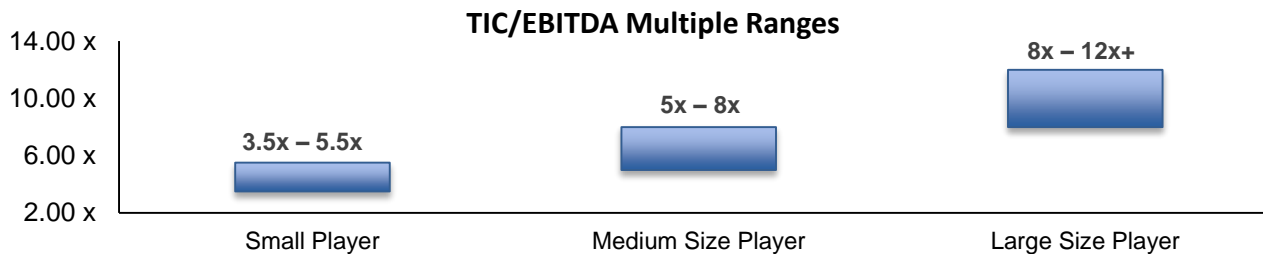
Urgent Care Case Study - Insurance Transactions

▶ Insurance Company Objectives

- Redirect members to lower cost setting
- Collect data
- Lower costs in the system
- Align with retail strategy

Acquirer	Announced	Target
United Healthcare / Optum	Apr-15	Med Express
Blue Cross Blue Shield of North Carolina	Sep-12	Fast Med Urgent Care
WellPoint; LLR Partners	Jul-12	Physicians Immediate Care
Blue Cross Blue Shield of South Carolina	Mar-11	Doctors Care
Highmark	Jan-11	Med Express
Humana	Nov-10	Concentra Urgent Care

Valuation Multiples and Observations



Multiples	<ul style="list-style-type: none"> • High multiples of trailing earnings for platform acquisition <ul style="list-style-type: none"> • Pricing of anticipated growth likely main driver of multiple expansion • Forward / proforma multiples generally significantly lower than trailing multiples • Buyers are typically paying for earnings rather than revenue • Oversaturation will likely drive multiples down
Types of Buyers	<ul style="list-style-type: none"> • Buyers are generally interested in platform acquisitions <ul style="list-style-type: none"> • The decision to “buy” rather than “build” is less expensive and risky • Infrastructure and accreditation are important • Strategic buyers are more common today than in previous years <ul style="list-style-type: none"> • M&A has historically been dominated by private equity firms • Hospitals and health systems are exhibiting growing of interest and presence in the space
Drivers of Value	<ul style="list-style-type: none"> • Growth opportunities and factors affecting demand • Competitive environment and regional density • Stage in business cycle and profitability • Infrastructure and support (platform vs. stand-alone) • Type of buyer (strategic vs. synergistic vs. financial) • Reimbursement and payor mix

Thank You



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