

M&A Update

2017



**Healthcare IT
&
Revenue Cycle
Management**







Introduction.

The RCM and HCIT M&A market experienced another exceptional year with over \$19.5 billion in deal value in 2017!

There was tremendous diversity among the year's deal participants. Buyers included those making their first acquisition in these sectors, as well as experienced RCM and HCIT investors. The seller pool included service and technology companies, with offerings that range from patient access, to clinical analytics, to revenue recovery, and just about everything in between.

Reimbursement complexities in this highly fragmented healthcare market, and the push for providers to improve patient care through more frequent and engaging interactions, will continue to drive M&A activity in these sectors.¹

Select Transactions.

Participants		Type	Completed
		Acquisition	Q1 2017
		Merger	Q1 2017
		Merger	Q4 2017

¹ See page 6 for a detailed overview of GA's RCM and HCIT sector coverage.

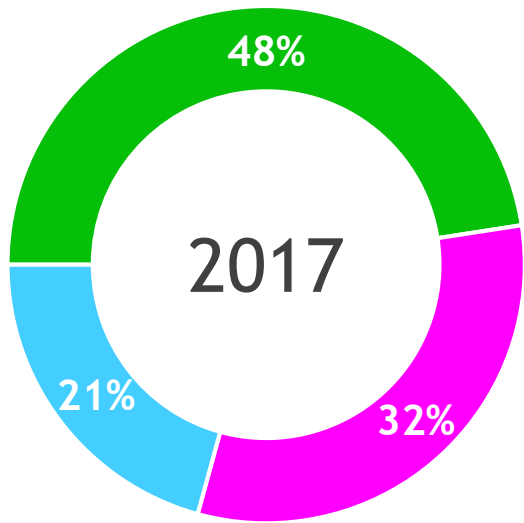
Key Takeaways.



1 Techno-BOOM

Pure technology companies comprised the largest percentage of sellers, appearing in 48% of the transactions. Interestingly, the buyers were split evenly among financial and strategic players. The two most popular IT offerings were Patient Engagement and Analytics, which were represented in 48% and 46% of IT transactions, respectively. Among the many actively acquired IT solutions, investors also demonstrated a notable appetite for APIs and other tools that improve interoperability and facilitate a more connected provider network.

Deal Volume by Offering Type



- Technology
- Services
- Mix of Technology and Services

Popular Offerings

Technology

- Analytics
- Billing
- EHR / EMR
- Eligibility
- Patient Engagement

Services

- Billing
- Coding
- Consulting
- Denials Management
- Self-Pay Collections

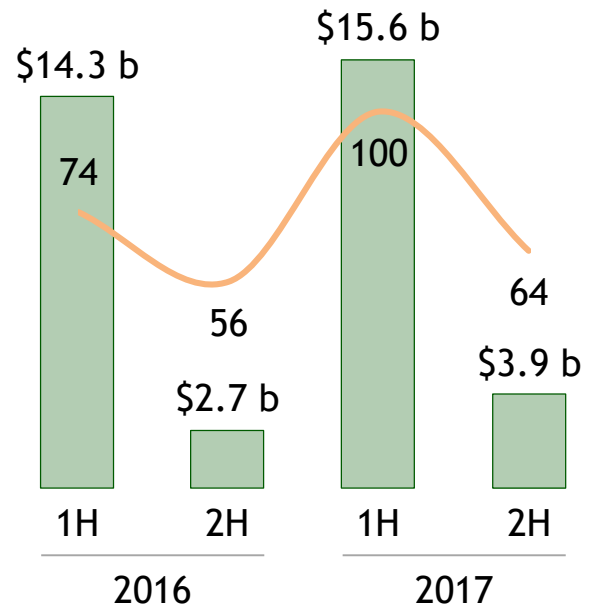
Key Takeaways (cont).

2

~\$20 Billion in M&A

Deal value in 2017 rose to over \$19.5 billion, a 15% increase from 2016 and a whopping 376% surge over 2015. Volume also grew, as 164 transactions were completed in 2017 versus 130 in 2016. Deals spanned almost every facet of the revenue cycle and healthcare IT markets. Given the dominance of first half activity in recent years, it will be interesting to see if 2018 follows suit.

Deal Value and Volume 2016-2017

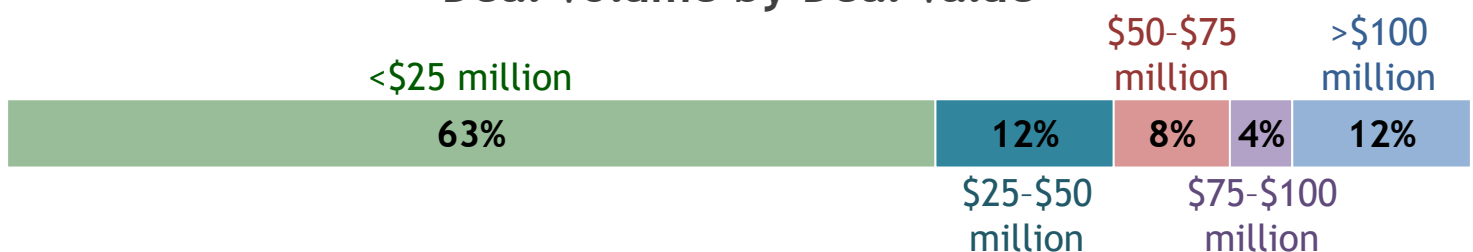


3

Big Deals = Headlines; Lower-Middle Market = Activity

There were more RCM and HCIT deals in excess of \$1 billion than ever before. Although large deals tend to steal the headlines, the majority of the transactions were for \$25 million or less (and that percentage has held steady for the past two years). So, while “mega” deals often make a big splash, the lower-middle market still carries most of the activity.

Deal Volume by Deal Value

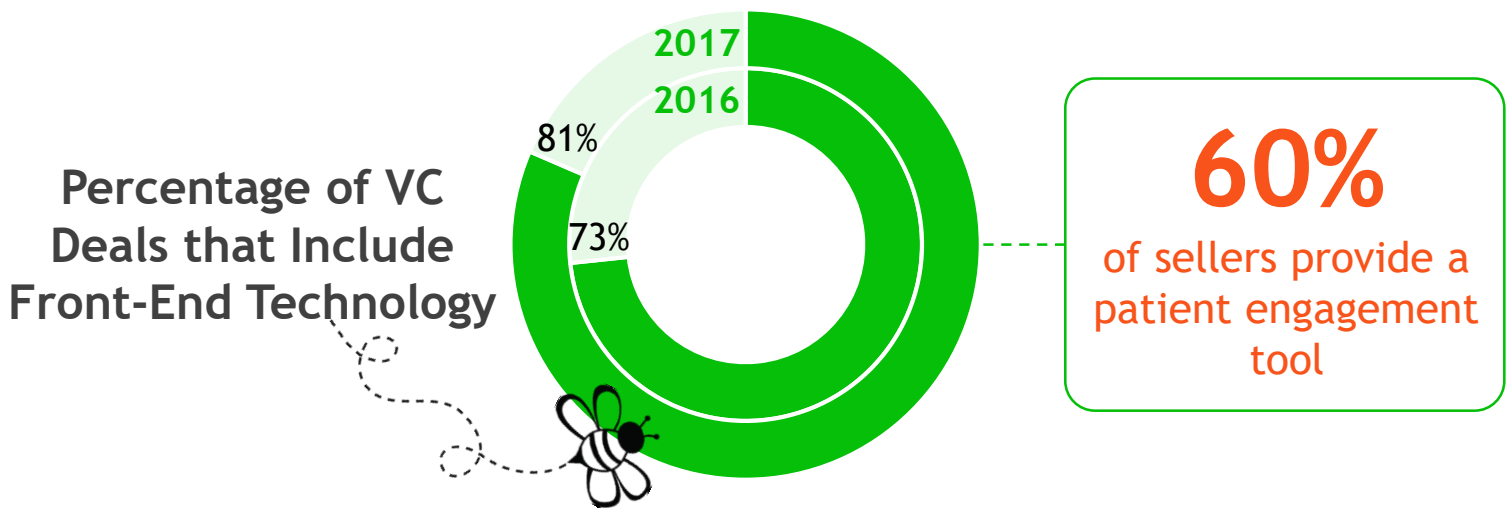


Key Takeaways (cont).



4 VC Firms Swarm to Front-End IT

VC firms have shown a convincing propensity to invest in front-end IT solutions. Value-based care and other macro factors have forced providers to focus on technology solutions related to the patient experience, such as patient engagement, for example. This has generated increased M&A demand for these offerings. Similarly, given the growing importance of patient satisfaction, we expect to see rising investor interest in post-visit patient engagement and communications IT.



5 Strategics Rule the Domain

Strategic buyers, including those backed by private equity firms, drove 65% of the transactions compared to 55% in 2016. As expected, the influx of institutional capital has led to substantial add-on M&A. We expect that the level of PE ownership in RCM and HCIT entities will continue to fuel many transactions in 2018.

Expectations for 2018.



Cutting-edge technology, such as Artificial Intelligence, Blockchain, Machine Learning, and Natural Language Processors will continue to grow in popularity as providers and investors recognize their potential to impact the evolution to value-based care.



Offerings that improve the quality and efficiency of healthcare, or that lead to greater or more accurate reimbursement, will make for attractive acquisition targets.



The combination of tax reform and access to relatively inexpensive capital will fuel additional M&A.



The continued consolidation of providers will spur further M&A activity among vendors.

Considering M&A?

Thinking about selling or raising capital? Contact us to discuss our buy-side clients, or to discuss how we can optimize and/or execute your long-term strategy.

[Click Here to Discuss Your Exit Goals](#)

Planning to make acquisitions? Contact us to discuss our sell-side clients, or to discuss how we can help you generate greater levels of unbanked deal flow.

[Click Here to Discuss Your Acquisition Interests](#)

About GA.

Call us:
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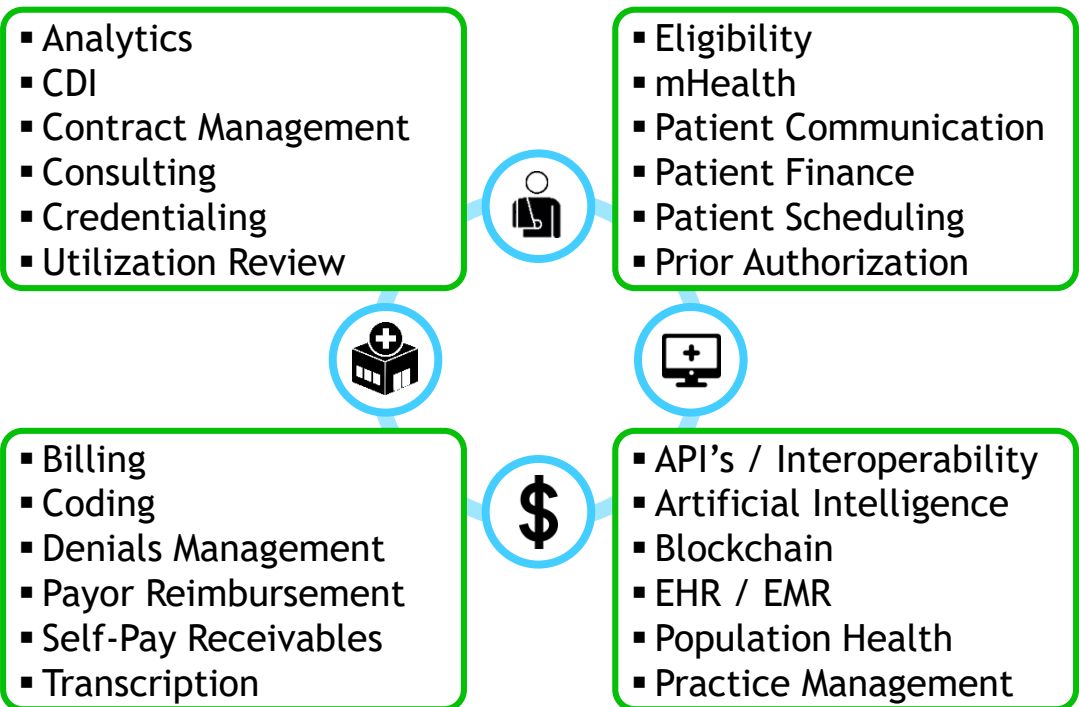
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GA's RCM and HCIT expertise spans nearly all care delivery methods and specialties, and includes the following IT and service offerings, as well as many others.



Note: This update is for informational use only. Information contained in this update is based on data obtained from sources believed to be reliable, and in some instances contains estimates. Data may include sellers that generate some non-RCM and/or non-HCIT revenue. Nothing in this publication is intended as investment advice. Use of any of the included proprietary information for any purpose without the written permission of Greenberg Advisors is prohibited.