

Greenberg Advisors

M&A ADVISORY IN HEALTHCARE IT & RCM

M&A Update 2020



**Healthcare IT &
Revenue Cycle Management**

301-576-4000



www.Greenberg-Advisors.com

INTRODUCTION

Mergers and acquisitions (M&A) within Revenue Cycle Management (RCM) and Healthcare IT (HCIT) tallied 199 transactions representing \$18.5 billion in deal value in 2020. The market accelerated throughout the second half of 2020 (2H 2020), with several billion-dollar transactions completed and / or announced, signifying substantial investor confidence.

Greenberg Advisors (GA) was at the forefront of this activity, representing sellers and buyers in five transactions involving offerings that include billing, coding, complex claims recovery, denials management, insurance follow up, receivables management, and revenue integrity.

With two vaccines approved by the US Food and Drug Administration in December, and healthcare being at the forefront of industries responding to the challenges brought about by the pandemic, there is considerable optimism in the M&A market for 2021, a view which we also share. In that same vein, we expect the trends from 2H 2020 to continue into 2021.

All statistics and market data in this document are from GA's proprietary M&A database. May contain estimates.

SELECTED GA TRANSACTIONS

PRAXIS
HEALTHCARE SOLUTIONS
was acquired by



a portfolio company of



NEW MOUNTAIN CAPITAL LLC

Sell-Side Advisor



ALN Medical Management

was acquired by



Nexus Healthcare Solutions

Buy-Side Advisor



was acquired by



a portfolio company of



Sell-Side Advisor

KEY TAKEAWAYS

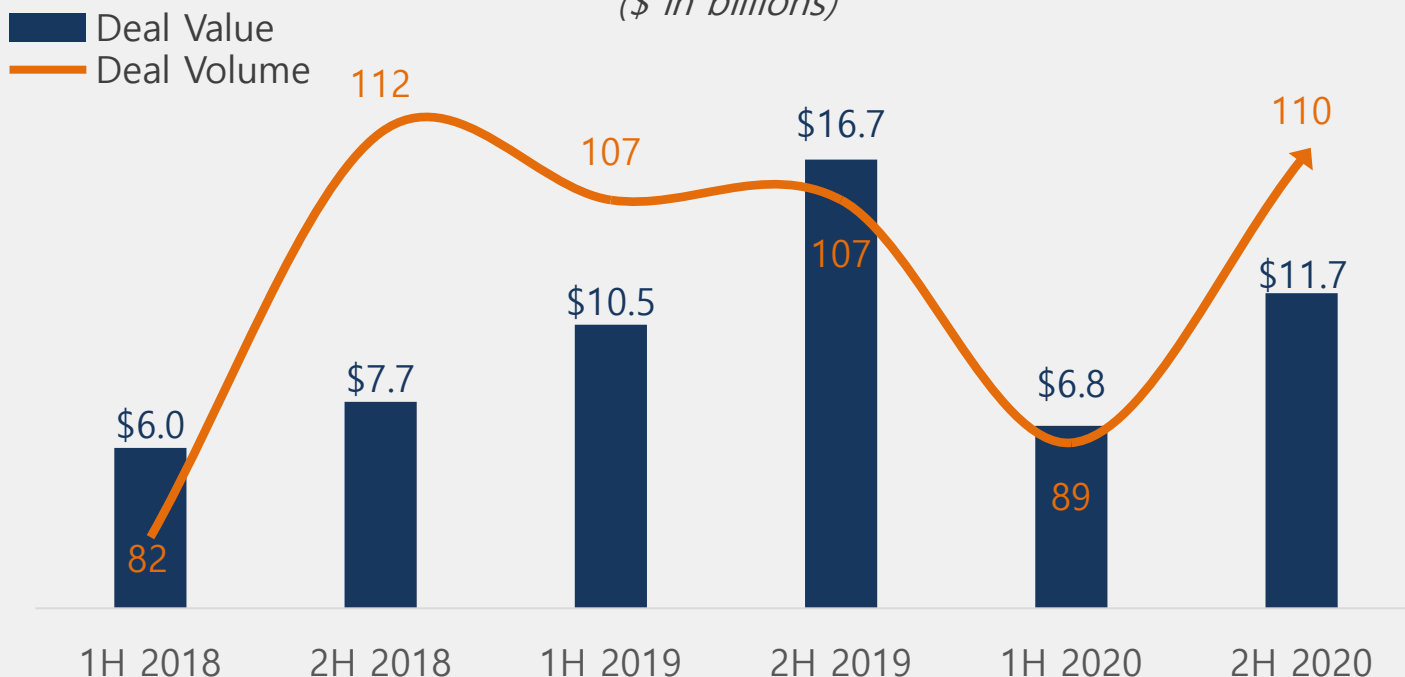
1 It's a V!

We'll let the economists debate which letter best describes the economic recovery, but we see a V-shaped recovery occurring in the RCM and HCIT M&A market. With deal value decreasing to \$6.8 billion in 1H 2020 from \$16.7 billion in the prior period (2H 2019) and then increasing to \$11.7 billion in 2H 2020, we are amidst a significant rebound that we project will continue into 2021.

2020 closed with one of the more prolific six-month periods in recent history. The elevated deal value was bolstered by many transactions exceeding \$100 million, which constituted 24% of all transactions, the highest percentage for any six-month period in the past five years. In terms of deal volume, Q4 2020 had 63 transactions, the highest quarterly activity in the past three years.

TRANSACTION VALUE & VOLUME: THE COVID-19 RECOVERY

(\$ in billions)



KEY TAKEAWAYS

2 Spotlight on Long-Term Care

11% of transactions in 2020 involved sellers that provided a service or technology to the Long-Term Care industry – up from 6% in 2019 and 9% in 2018. The US population is aging, and by 2030, it's expected that 20% of Americans will be 65+ years-old.¹ In our view, specialists will always command a premium value in M&A transactions but those specializing in markets with attractive tailwinds typically garner even more interest. Are you interested to know what other segments investors are buzzing about? [Contact us](#) to find out.

LONG-TERM CARE RCM & HCIT M&A ACTIVITY

3rd

...most active specialty

21

...transactions closed

The Most Popular Offerings Are...

#1

Patient
Engagement
Technology

#2

Analytics
Technology

#3

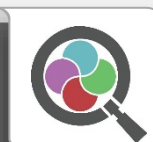
Population
Health
Technology

With Notable Deals Including...

Optum acquires
naviHealth



NetSmart acquires
QIRT



¹ Sandra Colby and Jennifer Ortman. "Projections of the Size and Composition of the U.S. Population: 2014 to 2060." U.S. Census Bureau, Mar. 2015.

KEY TAKEAWAYS

3 The Strategics Come Back!

The buyer composition in 2020 was similar to prior years, with 57% of acquirers being strategics and 43% being financial buyers (i.e. private equity firms). This is surprising, as financial buyers led in 1H 2020 when they represented 52% of transactions. The level of private equity (PE) involvement amongst buyers has remained consistent over the years, and has continuously outpaced PE-backed sellers. The resulting competition among PE firms, combined with that from large and mid-sized strategics, has produced a favorable dynamic for sellers, who are benefitting from higher valuations and more attractive deal structures.

BUYER COMPOSITION: STRATEGIC VS. FINANCIAL

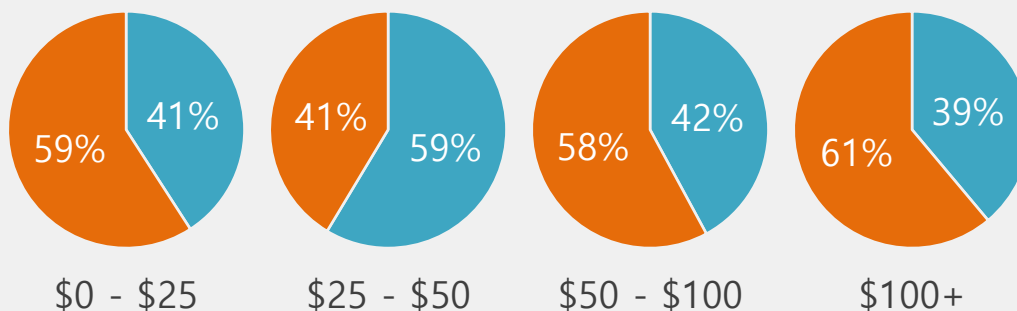
DEAL VOLUME
BY BUYER TYPE
(% of total deals)



Strategic Buyers

Financial Buyers

BUYER TYPE
BY DEAL SIZE
(\$ in millions)



KEY TAKEAWAYS

4 Buyers Get Specific

As the pandemic forced healthcare providers to fight for their very survival in some cases, investors took note of the very clear business case to be made for promoting solutions that maximize providers' cash flow. As such, technology buyers favored companies providing analytics or patient engagement solutions, as sellers that provided these offerings represented 41% and 38% of all 2020 transactions, respectively. This is not surprising, given the focus providers place on big data and how it can be utilized to operate more efficiently and provide better treatment for patients.

On the services side, billing and denials management solutions were the most frequently-acquired offerings. While these are always highly sought-after services in the M&A market, the demand only increased as a result of the pandemic, as cash constraints weighed heavily on providers and these services improve reimbursement.

A Note on Valuations

Most senior executives with an interest in M&A are wondering "What are valuations today?" While we addressed this in our [1H 2020 M&A Update](#), providing context in light of the pandemic, the topic deserves an update. There has not been any notable decline in valuation multiples for RCM and HCIT companies when compared to pre-COVID-19 multiples. For companies significantly impacted by COVID-19, buyers have utilized deal structure enabling sellers to earn full value when their company recovers to pre-COVID-19 levels of performance, while still providing appropriate down-side protection for the buyer.

Reach out to us if you'd like to learn more about the valuation or deal structure trends that we're seeing in the market. Contact ckrasko@greenberg-advisors.com to schedule a call.

LOOKING AHEAD

2020 was a challenging year from so many perspectives.

Despite headwinds from the pandemic, there are many reasons to be optimistic for the future of the RCM and HCIT industries. These companies overcame hurdles ranging from operational challenges (e.g. work-from-home requirements), to regulatory changes involving care and reimbursement guidelines, all while helping healthcare providers focus on giving care in a time when it was most critical.

Moving forward, the election of Joe Biden coupled with a democratic-controlled Congress will likely bring additional funding and focus to the healthcare industry, which should be a net-positive for RCM and HCIT companies. With that said, many questions remain regarding potential tax changes, including corporate and long-term capital gains taxes, and how changes might impact the M&A market.

There is light at the end of this tunnel and many investors, cognizant of that fact, will continue to invest into the outstanding companies in these very attractive markets.

RESOURCES FOR OWNERS



GA PUBLICATION: *The Real Deal* with Kristeen Coronado of Enhanced Revenue Solutions



SURVEY RESULTS: Understand COVID-19's early impact on RCM & HCIT



DEAL ANNOUNCEMENT: ALN Medical Management acquires Nexus Healthcare Solutions



DEAL ANNOUNCEMENT: Praxis Healthcare Solutions was acquired by Revint Solutions

ABOUT GREENBERG ADVISORS

Contact Us:
(301) 576-4000

Brian Greenberg
[Email](#)

Zach Eisenberg
[Email](#)

Casey Krasko
[Email](#)

Dan Miller
[Email](#)

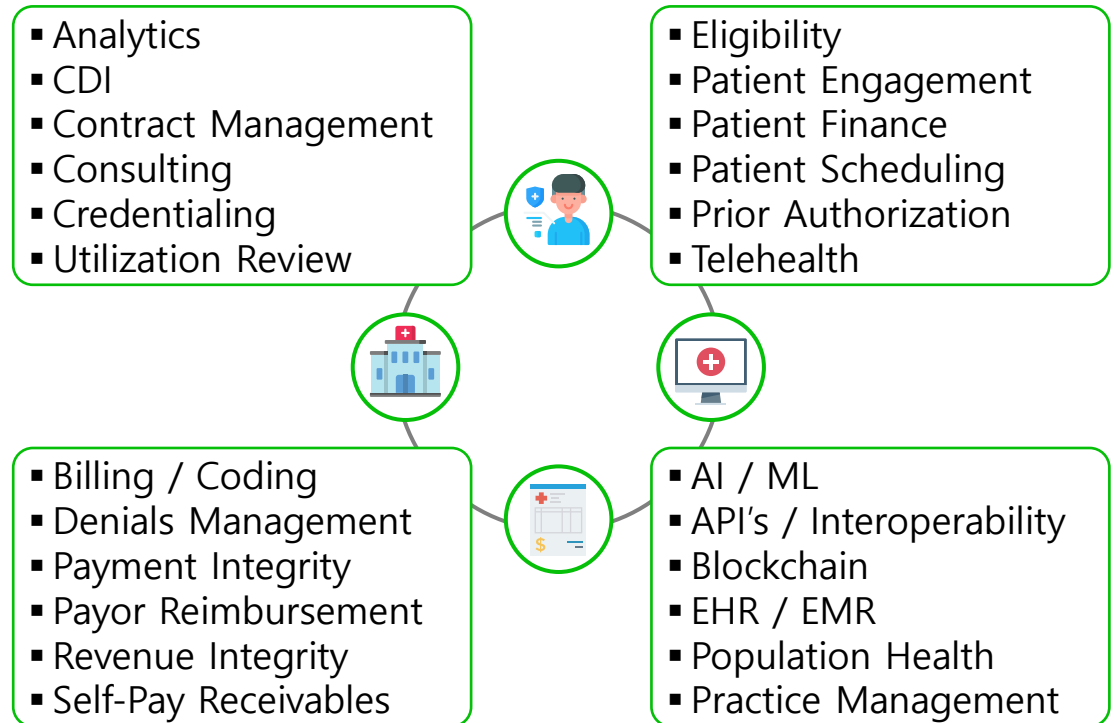
Connect on
LinkedIn:



Greenberg Advisors, LLC (GA) is one of the most active M&A advisors specializing in Revenue Cycle Management (RCM) and Healthcare IT (HCIT) sectors.

GA's perspective provides clients with unique value that comes from a comprehensive understanding of the healthcare ecosystem, having worked with a wide variety of businesses across the RCM and HCIT sectors. GA's unmatched depth and its proprietary data assets prove invaluable to clients seeking to determine the optimal path forward.

The firm's RCM and HCIT expertise spans nearly all care delivery methods and specialties across 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.

SELECTED RCM & HCIT TRANSACTIONS

2020 Transactions


 ALN Medical Management
 acquired

 Nexus Healthcare Solutions


 PRAXIS
 HEALTHCARE SOLUTIONS
 was acquired by

 REVINT
 a portfolio company of

 N M C
 NEW MOUNTAIN CAPITAL LLC


 ARCADIA
 RECOVERY BUREAU
 was acquired by

 ANNUITY
 HEALTH
 a portfolio company of

 PINE TREE
 EQUITY PARTNERS

(not yet announced)
a private equity-backed RCM firm
 acquired
an RCM firm


 PARA
 HealthCare Analytics
 was acquired by

 HEALTHCARE
 FINANCIAL
 RESOURCES
 a portfolio company of

 HOUSATONIC


 INFINX
 acquired

 enhanced
 revenue solutions


 meduit
 a portfolio company of

 NexPhase
 CAPITAL
 acquired the early-out assets of

 SIGNATURE
 Performance


 AppRev
 was acquired by

 OSG
 a portfolio company of

 AQUILINE
 CAPITAL PARTNERS LLC


 Diversified
 HEALTHCARE RESOURCES
 has merged with

 CARDON OUTREACH®
 a portfolio company of

 Serent
 CAPITAL