

# Greenberg Advisors

M&A ADVISORY IN HEALTHCARE IT & RCM

## M&A Update First Half - 2023



**Healthcare IT &  
Revenue Cycle Management**

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[www.Greenberg-Advisors.com](http://www.Greenberg-Advisors.com)

## Introduction

# Market Conditions Show Signs of Improvement

The Revenue Cycle Management (RCM) and Healthcare IT (HCIT) M&A market felt the same pinch in 1H 2023 that the global M&A market experienced, due mainly to macroeconomic conditions and tight financing markets.

That said, we're finally seeing encouraging signs of improvement. After a drop in M&A closings in 2H 2022, buyers came roaring back in April / May of 2023. Since then, valuations have risen notably and many buyers have commented that they've had to submit more aggressive deal terms in order to move forward in sell-side processes. In short, things are looking up for sellers and for the "health" of the transaction marketplace.

Among today's hottest topics in RCM and HCIT, the most prevalent is automation. It comes up in M&A discussions all the time. Everyone wants to reduce labor costs while improving results, patient care, and profitability. While it isn't a new idea, it is everywhere. And the wave, which includes RPA and A.I. (including LLM and ML), has just begun. Investments in A.I., for example, are rising at a record pace and new entrants are flooding in. In 2022, deal volume from these investments was 12% of total deals, and in 1H 2023, it increased to 19%.

So how has this trend impacted M&A in RCM and HCIT? Dramatically. We'll dive into this, and other trends, in this edition of the M&A Update.

## Data Source

The data and analysis summarized herein are based on information from Greenberg Advisors' (GA) proprietary database in conjunction with GA's knowledge of the market. GA does not use market data from data vendors. Its data is highly reliable - most often obtained directly from transaction participants - and, in some instances, contains conservative estimates. We go to great lengths to gather this information to provide it in aggregate to the public in publications like this one but also to ensure that we, and our clients, are fully informed for transaction planning and execution.

## Key Takeaway

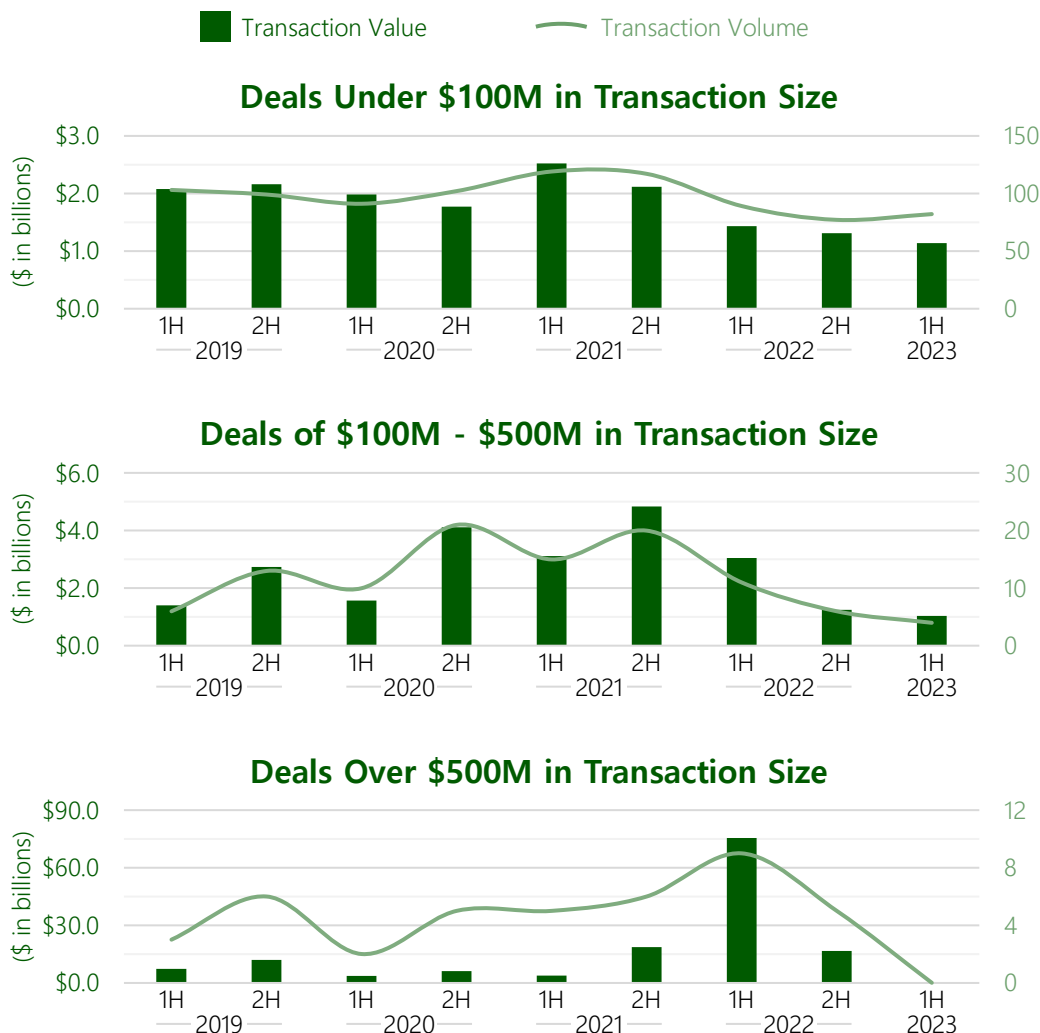
# Steady Deal Volume in the Lower Middle Market

Not surprisingly, aggregate deal value was down sharply versus 2H 2022 but deal volume was, in fact, fairly consistent. We view this as another sign that the M&A market may well be on the rebound. Our sense is that recent macroeconomic concerns have waned for many, and as a result, buyers have become more active. While activity below \$500M in transaction size remained on par with 2H 2022, there were no transactions over \$500M. More expensive debt capital typically has an amplified impact on larger transactions, which we suspect led to this reduction in deals over \$500M.

### 1H 2023 Snapshot

<b>\$2.2B</b> deal value	<b>86</b> transactions
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## Aggregate Transaction Value & Volume



Source: Greenberg Advisors

## Key Takeaway

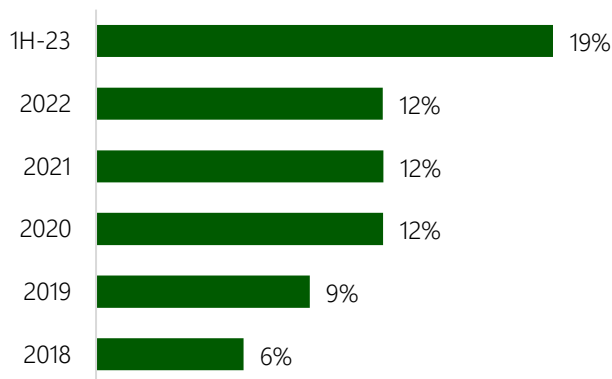
# Interest in A.I. Swells

Ninety-eight percent of healthcare leaders indicate that their organization plans to implement an A.I. strategy, or they already have, according to data from healthcare services provider Optum.

Investments into RCM and HCIT firms that leverage A.I. reached a new high in 2022, generating \$37 billion in transaction value, based largely on transactions involving Change Healthcare, Nuance Communications, and Cloudmed. Even beyond these larger transactions, A.I. investments are occurring up and down the size spectrum, involving venture capital firms and middle market buyers as well.

## A.I. Investment Activity

Percent of all transactions



Source: Greenberg Advisors

## Top A.I. Areas Drawing Interest

Data Standardization and Analytics

Coding

Denials Management

Population Health and CDS

Patient Engagement

Noteworthy A.I. transactions in 1H 2023 include New Mountain Capital's acquisition of Apixio from Centene and Aledade's acquisition of Curia, among others.

More details regarding A.I.'s influence on M&A can be found in Greenberg Advisors' July 5, 2023 article in ACG's Middle Market Growth publication entitled "A.I. Creates a Flurry of M&A Activity in Healthcare RCM and HCIT" – [read it here](#).

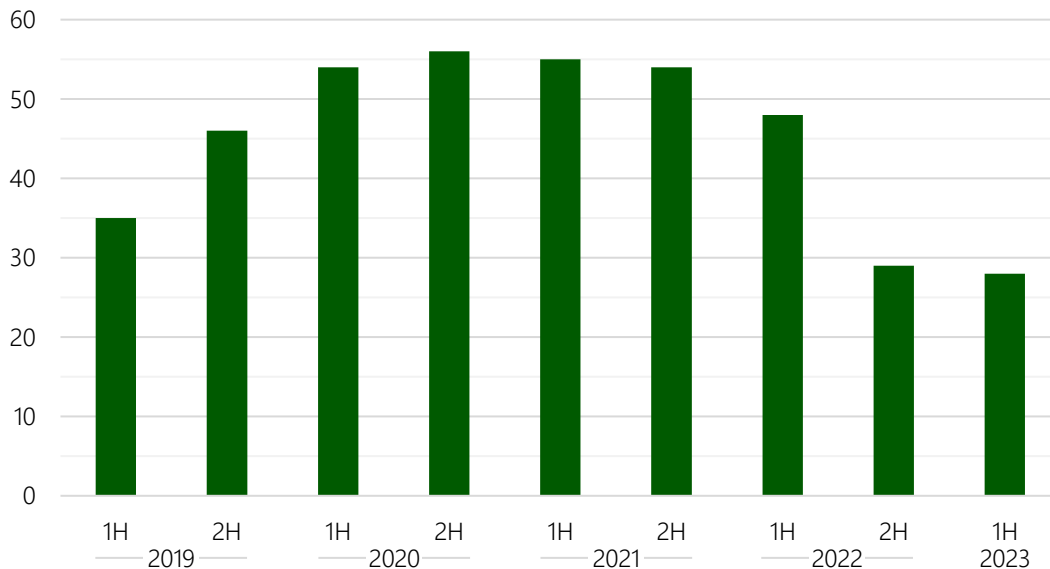
With no end in sight as to the growing complexities and changes in the healthcare market, providers will need to find tech-driven solutions to remain financially viable. The need is well-established, but the race among RCM and HCIT vendors has only just begun, and M&A activity could help accelerate their efforts.

## Key Takeaway

# Private Equity is Staying Invested

Private equity firms sold far fewer portfolio companies in the last twelve months (July 2022 – June 2023) than usual. Many would-be sellers have been in a holding pattern awaiting improved conditions. Our conversations with these groups indicate that they are now looking to late Q3 and Q4 to go to market. This is interesting for two reasons; it will create a new class of private equity investors in RCM and HCIT, and it will fuel further M&A through the add-on acquisitions many of them will execute in the coming years (discussed in the next section).

## Private Equity Exit Volume



Source: Greenberg Advisors

## Key Takeaway

# Private Equity's Downstream Impact on M&A

Since 2016, private equity firms have been responsible for over 750 RCM & HCIT acquisitions (44% of all deals), which includes platform investments as well as add-on acquisitions made by their portfolio companies. While we've focused on private equity firms for this analysis, if we include venture capital investments, these numbers jump to over 1,000 transactions representing 67% of all transactions. Clearly, institutional capital is a driving force in RCM and HCIT.

Private equity investments have a significant impact on the overall market by generating future M&A activity via add-on acquisitions and eventual exits. We evaluated all of the add-ons completed by private equity-backed strategics since 2016 and found that platforms complete, on average, two add-on acquisitions, the majority of which occur in the first two years of the private equity firm's ownership.

**52%**

... of all the private equity-backed add-on acquisitions since 2016 occurred in the first two years of ownership.

**28%**

... of all the private equity-backed add-on acquisitions since 2016 occurred in the third and fourth years (combined) of ownership.

**17**

The most active private equity-backed buyer completed 17 add-ons since 2016. The next closest private equity-backed buyer completed 12.

*Source: Greenberg Advisors*

2021 was one of the most active years for private equity platform investments, with 47 acquisitions, which will contribute to add-on M&A activity in a meaningful way for the remainder of 2023 and into 2024. While new investments have slowed over the past 18 months, this will change as private equity firms that have delayed an exit (see the previous page) launch processes later this year, which will attract new investors to the market and spur additional add-ons.


Private equity involvement impacts the M&A market in other ways, too. It increases the competitiveness of the buyer pool, which often leads to more aggressive valuations for targets. A frothy M&A market with abundant buyer interest also provides would-be buyers greater confidence regarding the potential for an eventual exit, enabling them to become more aggressive in pricing / structuring deals. Private equity activity can also be an indicator; prolonged private equity interest in a specific industry, as we've seen in RCM and HCIT, generally points to optimism regarding the industry's long-term growth prospects and macroeconomic tailwinds.

# About Greenberg Advisors


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

GA's perspective provides clients with unique value that comes from a comprehensive understanding of the healthcare ecosystem, having worked with buyers and sellers in a variety of transactions 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.

## Contact Us

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## Our Differentiators

- ▶ The Go-To M&A Advisor in RCM & HCIT
- ▶ Unmatched Track Record in RCM & HCIT Transactions
- ▶ Long-Term Relationships with Owners and Investors
- ▶ Proprietary Industry and M&A Data Assets
- ▶ We Treat Our Clients Like Family

## Our Services

- ▶ Sell-Side M&A Advisory
- ▶ Buy-Side M&A Advisory
- ▶ Business Valuations
- ▶ M&A Planning and Strategy

## Our RCM & HCIT Coverage

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.

### Patient Access

Appointment Scheduling • Financial Counseling • Patient Advocacy & Enrollment • Patient Eligibility & Benefits Verification • Patient Engagement / Communication • Patient Finance • Patient Intake • Prior Authorization • Propensity to Pay Assessment

### Analytics & Reporting

Claim Status & Denials Analytics • Clinical Analytics • Population Health • Predictive Analytics • Pricing Analytics • Revenue Cycle Analytics • Utilization Review • Value-Based Care Enablement

### Payment & Reimbursement

Bad Debt • Billing • Coding • Coding Audits • Charge Capture • Complex Claims • Denials Management • DRG Review • Early-Out / EBO • Insurance Follow-Up • MVA & VA Claims • Out-of-State Medicaid • Payment Posting • RCM Consulting & Optimization • Revenue Integrity • Third-Party Liability • Underpayments • Workers' Compensation Claims • Zero-Balance Review

### Enterprise Technology & Clinical Systems

Artificial Intelligence & Machine Learning • Care Coordination & Management • Claims Management • Clinical Decision Support • CRM • Digital Health • EHR / EMR • Implementation Services • Interoperability • Mobile Health • Natural Language Processing • Practice Management Systems • RPA • System Conversion & Integration • Technology Hosting & Infrastructure • Telehealth

### Operations

Clinical Documentation Improvement • Compliance • Consulting • Contract Management • Credentialing • Health Information Management • Healthcare IT Consulting & Implementation • Practice Management & Marketing • Spend Management • Staffing • Transcription

### Payor Offerings

Care Coordination • Consulting • Cost Containment • Fraud, Waste, and Abuse • Member Engagement • Payment Integrity • Payor Workflow Tools • Quality Improvement • Risk Adjustment • Rx Spend Management

# Greenberg Advisors' Selected RCM & HCIT Transactions

**EMS|MC**  
EMS MANAGEMENT & CONSULTANTS  
a portfolio company of  
**bv** INVESTMENT PARTNERS  
SINCE 1988

acquired

**EPWW**  
Advisory Group

**SimiTree**  
a portfolio company of  
**SHERIDAN**  
CAPITAL PARTNERS

acquired

**GREENPOINTMED**

**SimiTree**  
a portfolio company of  
**SHERIDAN**  
CAPITAL PARTNERS

acquired

**afia**

Private Equity-Backed  
Strategic Buyer

acquired

Midwest-Focused RCM  
Firm Specializing in EMS  
*(not yet announced)*

**Ovation Healthcare**  
a portfolio company of  
**GRANT AVENUE**

acquired

**MedCo**  
Uptain Group, Inc.

Private Equity-Backed  
Strategic Buyer

acquired

RCM Firm Specializing  
in EMS  
*(not yet announced)*

Specialized Payment  
Automation Technology  
Company

was acquired by

Private Equity-Backed  
Strategic Buyer  
*(not yet announced)*

**ATWATER**  
SOLUTIONS

was acquired by

**SIGNATURE**  
Performance

**EMS|MC**  
EMS MANAGEMENT & CONSULTANTS  
a portfolio company of  
**bv** INVESTMENT PARTNERS  
SINCE 1988

acquired


**VAIRKKO**



# Greenberg Advisors' Selected RCM & HCIT Transactions

 presidiohealth

was acquired by

 DeliverHealth  
a portfolio company of  
**ASSURED**  
HEALTHCARE PARTNERS\*

 eIVF  
a portfolio company of  
 Atlantic Street Capital

made a growth investment in

 univfy

Tech-Enabled RCM Firm

was acquired by

Multinational Strategic  
*(not yet announced)*

 ALN

acquired RCM assets of

 fivos

 i INNOVATIVE HEALTHCARE

was acquired by

 HARRIS

 mri medical reimbursement inc.

was acquired by

 MiraMed  
A GLOBAL SERVICES COMPANY

 GulfCapital

acquired a majority stake in

 HANSEI SOLUTIONS

 REVCO SOLUTIONS  
a portfolio company of  
 LONGSHORE CAPITAL PARTNERS

acquired

 ARMC Financial Services, LLC

 GulfCapital

acquired a majority stake in

 ECLAT HEALTH SOLUTIONS

## *Intended Use*

*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 conservative 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.*