

Greenberg Advisors

M&A ADVISORY IN HEALTHCARE IT & RCM

M&A Update 2023



**Healthcare IT &
Revenue Cycle Management**

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Introduction

Optimism is Building

The year 2023 ended on a definitive high note for M&A despite some remaining macroeconomic headwinds, making it clear that buyers are bullish about RCM and HCIT.

Several notable transactions occurred in the fourth quarter, including Thoma Bravo's take-private of NextGen Healthcare, the merger of Athelas and Commure, and IKS Health's acquisition of AQuity Solutions, among others.

A sense of optimism has returned to our dialogue with potential sellers and prospective buyers. Was 2023 a great year for M&A? Not for many. But the outlook is bright for 2024. Transaction velocity grew in Q4 2023, and we are seeing substantial activity from founder-owned sellers and private equity-backed sellers, with many firms planning to exit in 2024. Further, demand for high quality assets remains robust and these firms continue to garner attractive valuation multiples as buyers compete for what has been a more limited pool of potential acquisition targets.

Data Source

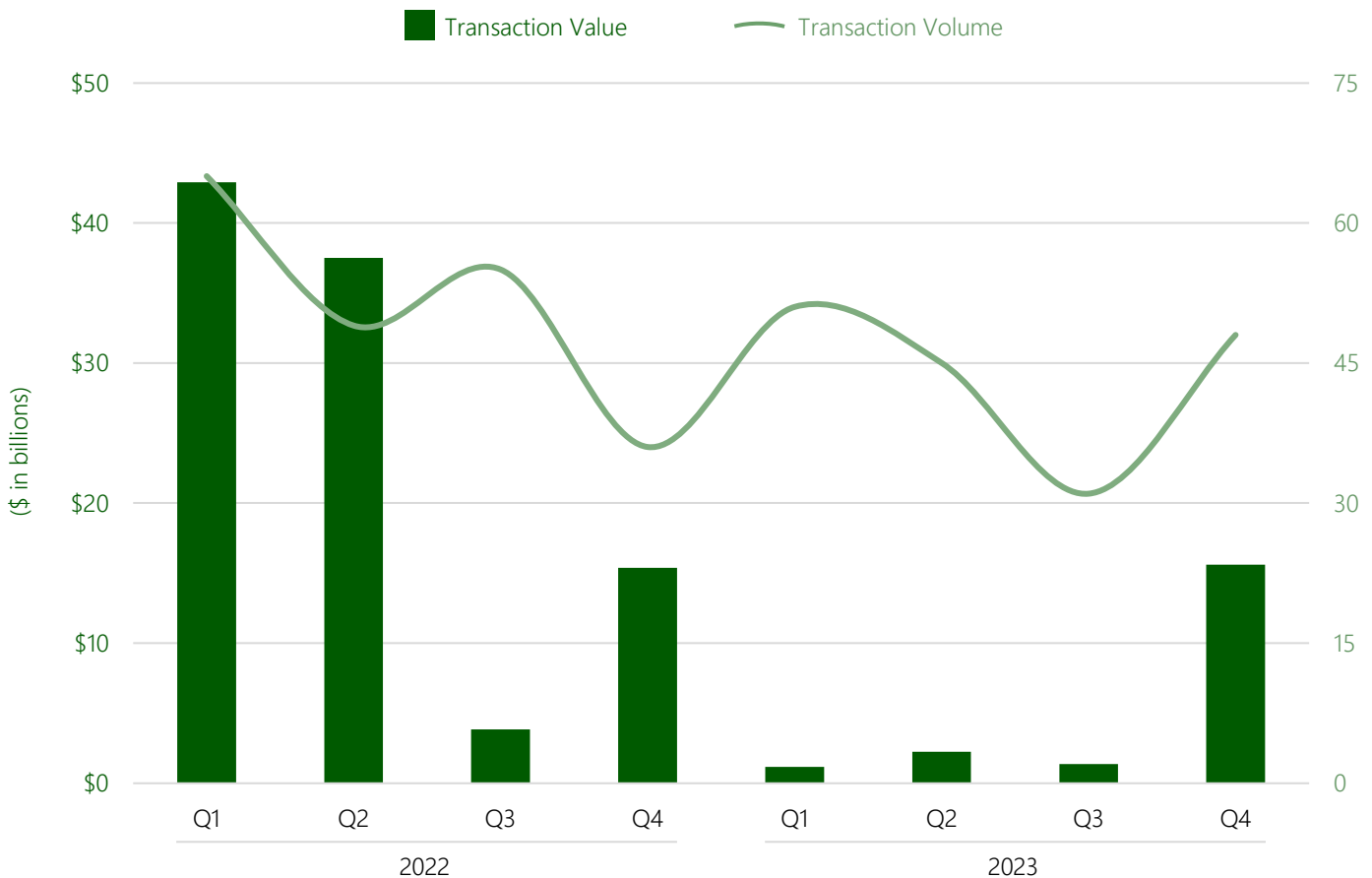
The data and analysis summarized herein are based on information from Greenberg Advisors' (GA) proprietary database in conjunction with GA's knowledge of the market. GA does not use market data from data vendors. Its data is highly reliable - most often obtained directly from transaction participants - 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

Leaving 2023 Like a Bull

Most will recall the economic concerns and related caution that defined buyer sentiment at the beginning of 2023. By the middle of Q2, however, we started to see substantial improvements in how buyers approached transactions, culminating in a vigorous Q4, and creating a “U” effect in the deal volume trendline. As a result of this rebound, Q4 accounted for over 75% of 2023’s deal value, closing the year with tremendous momentum.

Transaction Value & Volume



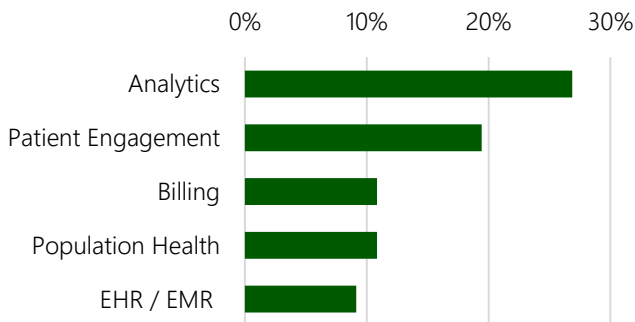
Source: Greenberg Advisors

Key Takeaway

Hottest Offerings

Most Active Technology Offerings

Percent of all transactions

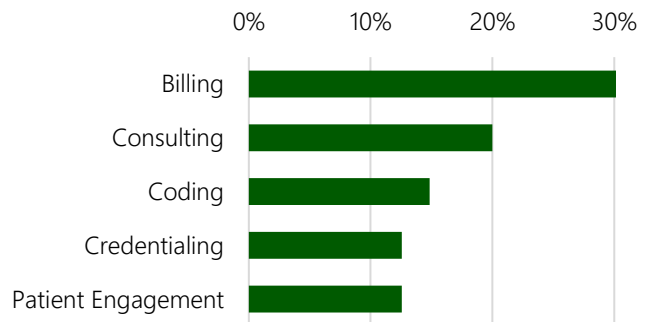


Source: Greenberg Advisors

Historically, healthcare technology has been viewed as lagging behind other industries but we're seeing today's technology evolve at a much faster pace. For instance, the computer-assisted coding (CAC) platforms that long dominated the coding software market have given way to autonomous coding solutions. Similarly, denials management software, which often used to be classified as a 'workflow driver,' is now commonly introduced as a platform that offers AI-enabled models to predict and prevent denials.

Most Active Service Offerings

Percent of all transactions



Source: Greenberg Advisors

The top three services were unchanged from recent years, but credentialing services continues its multi-year climb up the ranks, finding itself as the fourth most acquired service. Interestingly, denials management services fell out of the top five for the first time since 2018. Buyers aren't less interested in denials services – there is plenty of demand! Instead, consolidation in prior years has decreased the pool of potential targets.

A Peak Into the Future of HCIT Investment?

According to a November 7th report from KLAS regarding which technologies RCM leaders plan to invest in over the next 12-24 months, autonomous coding led the way, followed by claims management, denials management, and then insurance discovery / prior authorization. While none of those technologies were among the top three acquired software solutions in 2023, they all saw a meaningful increase in transaction activity over the prior year. We think this is just the beginning of a budding trend, with more investments to come in the near future.

Key Takeaway

Consulting Firms Garnering Interest

Firms that offer consulting services saw a meaningful uptick in M&A activity, as they represented 43% of total deal value in 2023, up from 31% in the year prior. TPG's carve-out of Crowe's healthcare practice and Bain's acquisition of Guidehouse both reflect a bullish outlook on the sector and the role that consultants play within it. Consulting firms occupy a unique and trusted place with providers as they often see the big picture while also being able to resolve issues at the ground level, offering technology implementation, process augmentation, and expense reduction expertise and services, among others. As healthcare providers focus on their bottom line and scrutinize the number of vendors they partner with, consulting firms can provide demonstrable value by either solving providers' challenges directly or bringing in targeted specialists as needed.

From an M&A perspective, consulting companies can be polarizing among buyers. Some buyers are attracted to the talent and expertise that consulting companies provide, as well as the potential for provider relationships to serve as a feeder for additional sources of revenue. Other buyers are uncomfortable with the project-based nature of most consulting work. One thing appears true in any case: the investments into these companies in 2023 will create a larger buyer pool for future consulting deals.

Greenberg Advisors

SPECIALIZED M&A ADVISORY

Our clients have recently enjoyed some exceptional years.
We look forward to continuing the momentum in 2024.

24

Completed Deals
Since 2020

\$150M

Working with Sellers Generating
up to \$150M in Revenue

55+

Years of M&A
Experience

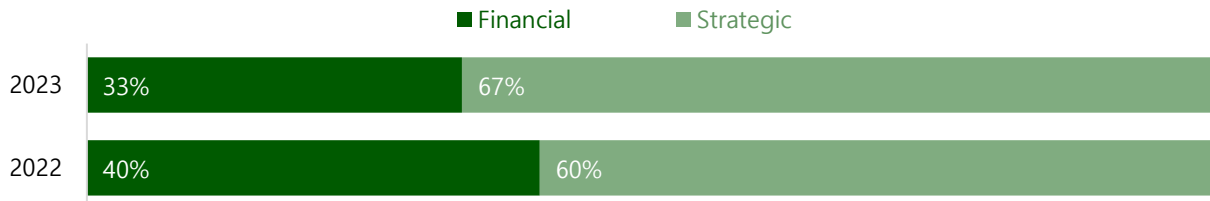
 acquired	 a portfolio company of  acquired	 a portfolio company of  acquired	 a portfolio company of  acquired	Private Equity- Backed Strategic Buyer acquired
				Midwest-Focused RCM Firm Specializing in EMS <i>(not yet announced)</i>
 a portfolio company of  acquired	Specialized Payment Automation Technology Company was acquired by	 was acquired by	 a portfolio company of  acquired	 was acquired by
	Private Equity-Backed Strategic Buyer <i>(not yet announced)</i>			 a portfolio company of 

Key Takeaway

Who is Buying?

Transaction Volume by Buyer Type

Percent of all transactions



87%

... of strategic buyers in 2023 were US-based.

61%

... of strategic buyers in 2023 were financial-backed.

19%

... of strategic buyers in 2023 were public companies.

Source: Greenberg Advisors

Strategics remained the dominant acquirer in 2023 transactions, while the percentage of deals completed by financial buyers dropped to its lowest level since 2015.

Given the size of transactions that financial investors do, they are generally more dependent on today's more expensive debt capital to help finance deals, whereas strategics have more flexibility by using cash from their balance sheet, which is utilized to a greater degree in smaller deals.

With the increased cost of capital in 2023, financial investors had to be more selective in the deals they pursued and many adjusted their valuations downward to account for the increased financing expenses. This resulted in two main outcomes that led to fewer acquisitions:

- 1) There were fewer targets to pursue. Many private equity-backed companies decided to delay a sale to wait for a more favorable financing environment and better valuations. We expect this to change in the second half of 2024 and even more so in 2025. In the meantime, some private equity owners are utilizing continuation funds to extend their hold period while satisfying their Limited Partners' liquidity needs.
- 2) Financial investors could not match the valuation expectations that owners (i.e. would-be sellers) held onto from prior years when deal financing was cheaper. In the current environment, it can be difficult for financial buyers to compete with strategics, who can find post-transaction cost savings or synergies to effectively lower the multiple that they pay for a business.

Interesting Headlines from Around the Industry

- **A Four Billion-Dollar Meltdown.** Once the shiniest object in HCIT, having been valued at a reported \$4 billion, Olive sold its last two primary business lines to Waystar and Humana Health and had plans to shut down operations.
- **Will the HCIT IPO Market Come Back in 2024?** Waystar was poised to end the 30-month HCIT IPO drought when it filed in October to go public, but a few weeks later it pulled back citing market volatility. The company has indicated plans to wait until the end of 2024.
- **Associations are Moving into M&A.** A few industry associations entered the M&A fray, which garnered mixed reactions from their very own members. Perhaps the post-COVID decline in conference attendance is spurring them to seek new revenue sources.
 - American Health Information Management Association (AHIMA) acquired HCPro and its family of brands focused on training, education, and compliance.
 - American Academy of Professional Coders (AAPC) acquired Semantic Health, which offers AI-powered coding audit software to payors and providers.
- **Another 10-Year Deal for R1.** As part of its planned \$675 million acquisition of Acclara from Providence Health, R1 announced in December that it will also sign a massive 10-year contract with Providence. This is at least the third 10-year deal they've signed with a major health system, including their 2018 deal with Ascension and 2022 deal with Sutter Health.
- **Multiple EHRs Made Strategic M&A Moves.**
 - Lightning Step divested AVA Billing & Consulting to focus on its core software business.
 - Practice Perfect EMR acquired Clinical Billing Solutions to add RCM services capabilities.
 - ModuleMD acquired Diversified Health Care Management and MedEase to expand its RCM footprint.

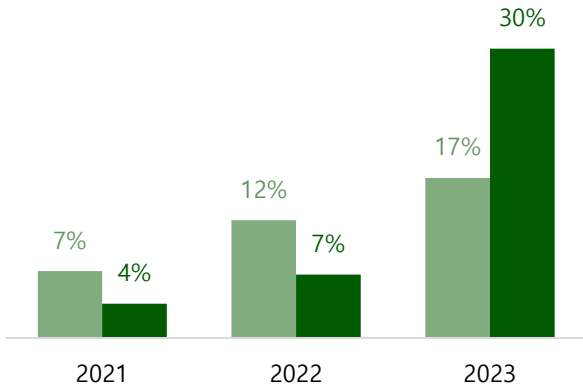
Key Takeaway

Notable Data Points

Tech-Enabled Transactions

Percent of all transactions

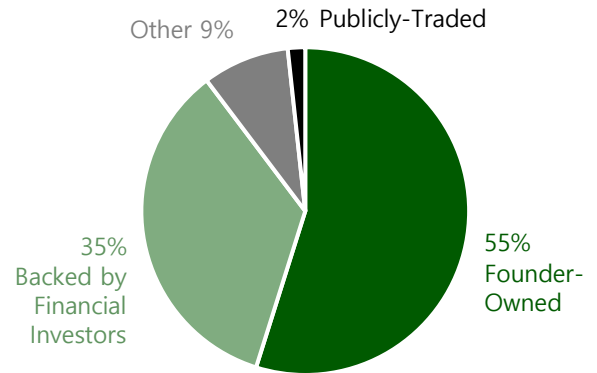
■ Volume ■ Value



Source: Greenberg Advisors

Transaction Volume by Seller Type

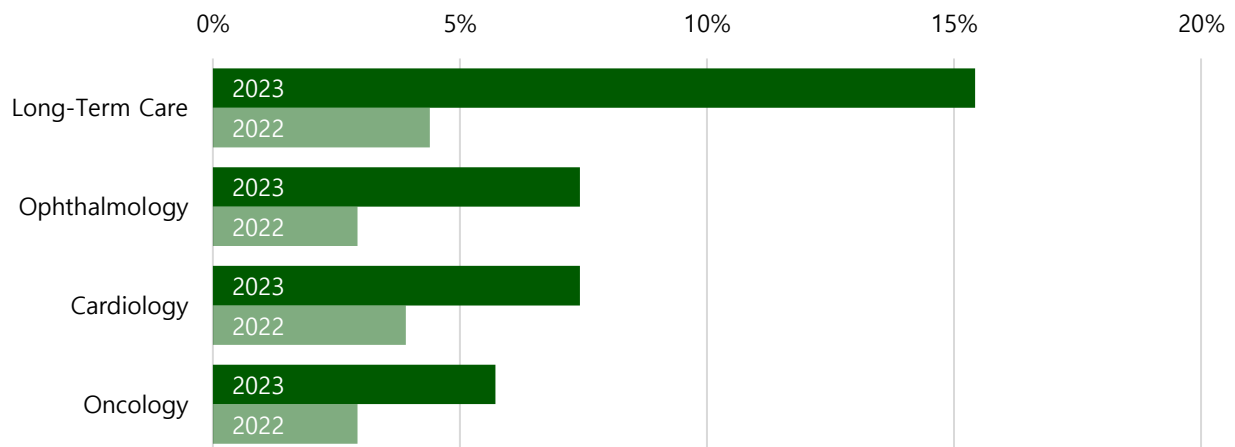
Percent of all transactions



Source: Greenberg Advisors

Provider Specialties with the Largest Increases in Transaction Activity

Percent of all transactions



Source: Greenberg Advisors

Conclusion

A Promising Outlook

Heading into 2024, several factors look promising for M&A activity. Many M&A advisory firms have reported record pitch activity in Q4 2023, which aligns with the large backlog of deals waiting to come to market. Fewer exits by private equity firms over the past 18 months have resulted in a tremendous amount of unrealized value in private equity portfolios, with some estimating median hold periods of more than 5.5 years! At some point soon, those investors will just have to exit, to appease their Limited Partners and other constituents. And while election years usually add some unknowns to the M&A market, the expected interest rate reductions from the Federal Reserve should bring further stability to the M&A market in 2024, providing greater confidence for buyers and sellers to transact.

Interestingly enough, there hasn't been a unified theme that we've heard from investors for 2024. For instance, in 2022, everyone was clamoring for complex claims solutions, so while some of these are more prevalent than others, it will be exciting to see how the diversified interest plays out.

More Resources From GA

- **GA DEAL ANNOUNCEMENT:** GA Advises on the Acquisition of AllianceMed and MedCloud. [Link](#)
- **GA DEAL ANNOUNCEMENT:** GA Advises on EMS|MC and PWW's Joint Investment. [Link](#)
- **PRESS RELEASE:** Greenberg Advisors' Thought Leadership Throughout 2023. [Link](#)
- **INDUSTRY LEADERS:** How is the Transition to Value-Based Care (VBC) Going and What Changes Do You Recommend to Improve its Adoption? [Link](#)
- **RCM & HCIT INTEL:** Private Equity's Downstream Impact on M&A. [Link](#)
- **THE REAL DEAL:** Featuring Atwater Solutions. [Link](#)
- **WEBINAR:** Client Profitability Analysis: Why it Matters & How to Do It. [Link](#)

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 in determining the optimal path forward and maximizing their exit or investment.

Contact Us

 www.Greenberg-Advisors.com

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 301-576-4000

The Go-To M&A Advisor in RCM & HCIT

Our Differentiators

- ▶ 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

 **COSENTUS**

acquired


AllianceMed
and its subsidiary
 medcloud

 **EMSIMC**
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

Greenberg Advisors' Selected RCM & HCIT Transactions

EMSIMC
EMS MANAGEMENT & CONSULTANTS
a portfolio company of
bv INVESTMENT PARTNERS
SINCE 1983

acquired

VAIRKKO

 **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

ALN

acquired RCM assets of

 **fivos**

 **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

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