

Healthcare M&A Outlook Positive for Remainder of 2024

Healthcare M&A activity has been strong in the last two quarters, leading to a more favorable outlook for the end of 2024 and beginning of 2025. A backlog of private equity exits, delayed during the 2023 downturn, is expected to contribute to heightened near-term activity.

Physician services remain a particularly active area, with sectors like dental, dermatology, orthodontics, ophthalmology, and ENT seeing steady consolidation. Private equity-backed platforms in these spaces are focused on growth through add-on acquisitions, which are expected to persist as they prepare for exits in 2025.

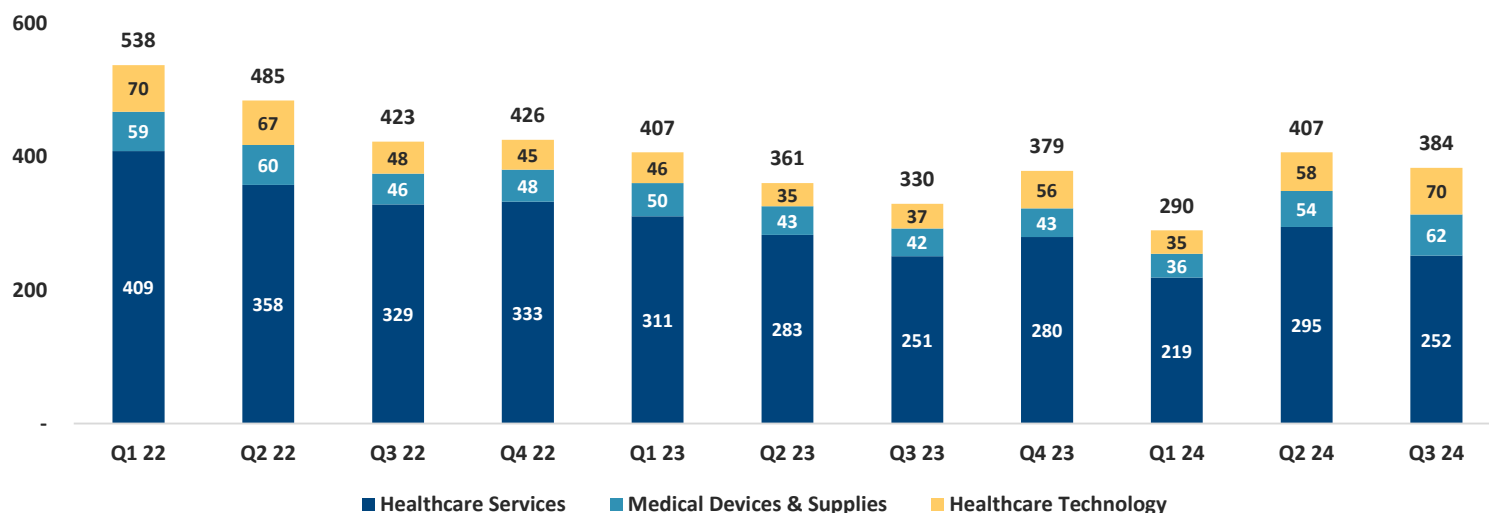
The behavioral health sector continues to be a standout performer as investors focus on providers serving the substance use disorder, autism, intellectual or development disability, and general mental health markets. Behavioral health conditions have increased over the last several years, a trend exacerbated by the isolation and anxiety caused by the pandemic. The demand for services is

expected to continue. Existing platforms are attracted to providers offering accessible treatment options that are also retaining talent and cultivating lasting patient relationships.

Other healthcare service providers like healthcare staffing companies and home healthcare providers are drawing attention as well. Healthcare staffing M&A has been steady due to growing demand for healthcare services and an increasing shortage of nurses and physicians. Investors see opportunity in home healthcare as the population continues to age and non-medical home providers expand their service offerings.

Despite challenges such as staffing shortages and lower reimbursement rates, the outlook for healthcare M&A is positive. This, combined with positive sector trends, suggests that healthcare M&A will remain robust through the rest of 2024 and into 2025.

Healthcare M&A Transactions by Sector, by Quarter



Sources: Pitchbook

Select Noteworthy Transactions

Date: September 2024 (Closed)	Overview / Strategic Rationale:	Physician Services
<p>Target:</p>  <p>Acquirer:</p>  	<p>Solaris Health Holdings, a national healthcare management company in the urological field, has acquired Keystone Urology Specialists.</p> <ul style="list-style-type: none"> <i>Based in Lancaster, PA, Keystone Urology Specialists has 17 providers and serves over 25,000 patients.</i> <i>The addition of Keystone Urology Specialists means that Solaris now aligns the skills and talents of 700+ providers who annually care for over one million patients across 13 states.</i> 	
Date: September 2024 (Closed)	Overview / Strategic Rationale:	Medical Equipment & Supplies
<p>Target:</p>  <p>Acquirer:</p> 	<p>GMSS Holdings, the parent company of Geriatric Medical & Surgical Supply, has acquired DDP Medical Supply.</p> <ul style="list-style-type: none"> <i>St. Petersburg, FL-based DDP Medical Supply is a distributor of medical and diabetic supplies to DME providers nationwide. It also distributes pharmaceuticals and a full range of medical supplies to pharmacies, physician offices, and other post-acute care providers.</i> <i>The acquisition significantly expands GMSS Holdings' footprint, forming one of America's leading medical supply distribution networks focused on chronic, post-acute, and home care providers.</i> 	
Date: September 2024 (Closed)	Overview / Strategic Rationale:	Service Providers
<p>Target:</p>  <p>Acquirer:</p>  	<p>Agape Care Group, a portfolio company of Ridgemont Equity Partners, has acquired select locations of Crossroads Hospice & Palliative Care in Oklahoma, Missouri, Kansas, and Georgia. Crossroads will continue to operate independently in Tennessee, Ohio, and Pennsylvania.</p> <ul style="list-style-type: none"> <i>Crossroads Hospice & Palliative Care is a national leader of hospice and palliative care dedicated to helping patients and families to find comfort for chronic and life-limiting illnesses. Crossroads currently serves over 2,000 patients daily across 7 states and 13 locations.</i> <i>Agape Care Group serves patients through its family of brands — Agape Care South Carolina, Georgia Hospice Care, Hospice of the Carolina Foothills, and ACG Hospice.</i> 	
Date: August 2024 (Closed)	Overview / Strategic Rationale:	Behavioral Health
<p>Target:</p>  <p>Acquirer:</p>  	<p>Prime Psychiatry, a leader in mental health care across Texas, has acquired Austin Psychiatric Consultants.</p> <ul style="list-style-type: none"> <i>Austin Psychiatric Consultants offers an array of mental health services tailored to meet the needs of children, adolescents, and adults in the Austin community. The clinic also provides advanced treatment options such as Transcranial Magnetic Stimulation (TMS) and Spravato® nasal spray for treatment-resistant depression.</i> <i>Prime Psychiatry is a leader in mental health care across Texas, offering a wide range of services, including psychiatric evaluations, counseling, advanced therapies, and specialized psychological testing.</i> 	

Sources: CapIQ, Company Filings, Pitchbook, News Releases

Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Target	Acquirer	Target Description
PHYSICIAN & DENTAL SERVICES			
10/4/2024	Nasser Orthodontics	Cosse & Silmon Orthodontics	Nasser Orthodontics is a provider of orthodontic services located in Shreveport, LA
9/26/2024	Phoenix Oral and Facial Surgery	Allied OMS	Phoenix Oral and Facial Surgery is an oral and maxillofacial surgery practice located in Phoenix, AZ
9/24/2024	Doherty Dermatology	Frontier Dermatology	Doherty Dermatology is a dermatology practice in Bellingham, WA that specializes in Mohs micrographic surgery
9/15/2024	Contour Dermatology	DermCare Management	Contour Dermatology is a preeminent provider of medical dermatology and cosmetic care
9/12/2024	Los Gatos Dental Group	Espire Dental	Los Gatos Dental Group providers premier dental care in Los Gatos, California
9/12/2024	Keystone Urology Specialists	Solaris Health	Keystone Urology Specialists is a leading urology practice in Lancaster, Pennsylvania with 17 providers and four locations
9/10/2024	Ridha Plastic Surgery & Medspa	Princeton Medpsa Partners	Ridha Plastic Surgery & Medspa is a provider of cosmetic and reconstructive plastic surgery services
8/22/2024	Dulles Eye Associates	ReFocus Eye Health	Dulles Eye Associates provides full-scope ophthalmologic care to patients in the Northern Virginia area with offices in Lansdowne, Annandale, and Reston
8/12/2024	Steward Medical Group	Rural Healthcare Group	Steward Medical Group is a physician-led multispecialty organization with more than 1,700 providers
7/19/2024	Melnick, Moffitt, & Mesaros ENT Associates	Align ENT + Allergy	Melnick, Moffitt, & Mesaros ENT Associates provides comprehensive ENT, allergy, and hearing care to central Pennsylvania
MEDICAL EQUIPMENT & SUPPLIES			
10/4/2024	SS White Dental	HuFriedyGroup	SS White is a leading manufacturer of branded carbide and diamond burs and endontic instruments for the dental industry
10/1/2024	Vertos Medical	Stryker (NYS: SYK)	Vertos Medical is a leader in interventional pain management solutions for chronic lower back pain
9/30/2024	DDP Medical Supply	Geriatric Medical and Surgical Supply	DDP Medical Supply is a leading distributor of medical and diabetic supplies to DME providers
9/20/2024	NICO Corporation	Stryker (NYS: SYK)	NICO provides a portfolio of solutions for tumor resection and the treatment of intracerebral hemorrhage
9/19/2024	Leap Surgical	Leap Distributors	Leap Surgical supplies innovative products and services to the surgical community
9/19/2024	DUB Enterprises	Leap Distributors	DUB Enterprises supplies multiple product lines and services to the medical device industry
9/1/2024	Williams Medical Supply	Eidolon Capital	Williams Medical Supply provides sleep & respiratory products, AAC speech devices, and power mobility chairs
7/14/2024	Quest Health Solutions	Sumitomo Corporation	Quest Health Solutions is a leading provider of continuous glucose monitors, remote patient monitoring services, and other medical supplies to diabetic patients.

Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Target	Acquirer	Target Description
OTHER HEALTH SERVICE PROVIDERS			
10/1/2024	Belle Vie Aesthetic Medicine	Miramar Equity Partners	Belle Vie is a provider of non-invasive aesthetic medicine treatments located in Lexington, Kentucky
10/1/2024	SkinCure Oncology	H.I.G. Capital	SkinCure Oncology provides dermatology partners with a model for the delivery of Image-Guided Superficial Radiation Therapy for the treatment of nonmelanoma skin cancer
9/30/2024	WorkSquare Healthcare Staffing Solutions	Health Advocates Network	WorkSquare Healthcare Staffing Solutions provides travel nursing and local medical staffing services
9/16/2024	Crossroads Hospice & Palliative Care	Agape Care Group	Crossroads Hospice & Palliative Care is a national leader of hospice and palliative care
9/4/2024	Haven Hospice	BrightSpring Health Services (NAS: BTSG)	Haven Hospice is a provider of hospice services, advanced care planning, palliative care consultations, and transitions services
9/3/2024	Prairie Ridge Health and Rehabilitation	The Ensign Group (NAS: ENSG)	Prairie Ridge Health and Rehabilitation is a 102-bed skilled nursing facility in Overland Park, Kansas
8/29/2024	Apothecare	Pelmeds	Apothecare Pharmacy is an institutional pharmacy targeting the behavioral health sector in group homes and community-based settings
8/8/2024	Merrick Management	Knack Global	Merrick Management provides comprehensive RCM, practice management, accounting, and tax services to anesthesia providers
8/1/2024	ANI Healthcare Solutions	EnableComp	ANI Healthcare solutions is a San Francisco-based denial management company
7/9/2024	Infusion Associates	Vivo Infusion	Infusion Associates is a leader in ambulatory infusion services with centers across the midwest
BEHAVIORAL HEALTH			
9/23/2024	Lakeview Health	Bradford Health Services	Lakeview Health is a leading provider of addiction treatment and behavioral health services, offering a range of specialized programs across its four campuses
9/11/2024	Exceptional Family Resources	ARISE Child and Family Service	Exceptional Family Resources is a leader in providing community-based services and supports to people with developmental disabilities
8/23/2024	Austin Psychiatric Consultants	Prime Psychiatry	Austin Psychiatric Consultants provides comprehensive mental health services, including specialized psychological testing
8/13/2024	The Nexus Group	Beacon Behavioral Partners	Nexus is a premier outpatient mental health care provider with an innovative and integrative approach to complex mental health conditions
8/12/2024	CuraLinc Healthcare	Lightyear Capital	CuraLinc is an innovative provider of employee assistance, student and workforce mental health programs
8/1/2024	Windmill Wellness	Magnificent Legacy Capital	Windmill Wellness Ranch is a co-occurring inpatient and outpatient treatment center specializing in trauma therapies, substance use disorder and mental illness
7/23/2024	Hauser Clinic and Associates	Beacon Behavioral Partners	Hauser Clinic and Associates is an established provider of psychiatric and psychotherapy services for children, adolescents, adults and geriatric patients in the Houston area
6/12/2024	Lionrock Recovery	Brightside Health	Lionrock Recovery provides online substance abuse counseling by secure video conference and mobile app

Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Sector Profile | Revenue Cycle Management

The revenue cycle management industry is seeing substantial M&A activity as healthcare organizations seek to address ongoing financial challenges and operational inefficiencies.

One of the primary concerns is the increasing rate of claim denials, with payors complicating claims submissions and requiring more prior authorizations, leading to reduced payments for previously approved claims. Traditionally, healthcare facilities have relied on outsourced labor for billing and RCM tasks, but technology-driven innovations are making these processes more efficient.

New technologies such as artificial intelligence, robotic process

automation, and automated coding are being integrated to optimize revenue capture. In fact, 98% of healthcare leaders plan to implement AI strategies in their revenue cycle management tasks, according to Optum data.

Private equity-backed platforms are increasingly targeting companies that use these technologies effectively to address billing issues. Platforms are also attracted to providers that focus on a specific care setting, like urgent care, rehabilitation centers, or specialized outpatient services. Acquirer activity and interest in the space is expected to continue as buyers prioritize companies with recurring revenue and scalable technology infrastructure.

Key Industry Players by Primary Sub-Sector

Enterprise Solutions



Coding

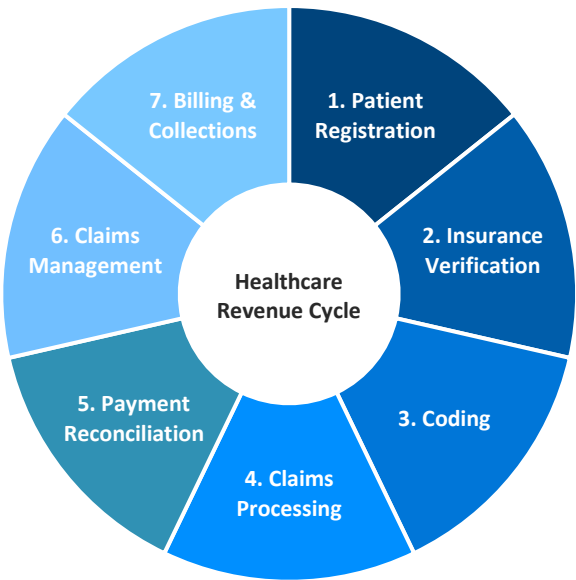


Claims & Billing



Steps of the Healthcare Revenue Cycle

- 1. **Patient Registration:** registering new patients; updating records; scheduling appointments for service
- 2. **Insurance Verification:** verifying that patients have active insurance policies and determining terms of coverage
- 3. **Coding:** translating medical procedures, diagnoses, and services into standardized codes for reimbursement purposes
- 4. **Claims Processing:** submitting claims to insurance providers for reimbursement
- 5. **Payment Reconciliation:** recording payments received from insurance companies and patients
- 6. **Claims Management:** managing denied claims and generating appeals
- 7. **Billing & Collections:** after insurer has paid, collecting additional balance for patients’ deductibles, coinsurance, or copayments



Sources: Athenahealth

Expert Insights — What is Driving Growth and M&A in Revenue Cycle Management?

Matt Bodenstedt, EdgePoint's Managing Director of Healthcare, recently spoke with two leaders in the revenue cycle management industry: Tyler Lewis, Owner and Operating Partner of Sentrii RCM, and Caroline Dechert, General Partner at Welsh, Carson, Anderson, & Stowe and Board Member of EnableComp, a revenue cycle management company specializing in complex claims solutions.

Matt spoke with each about a variety of topics around the revenue cycle management industry, including how the industry is facing significant changes driven by increasing administrative costs, labor challenges, technological advancements, and ongoing consolidation.

The Rising Complexity of RCM

One of the most pressing challenges in the RCM industry is the growing complexity of healthcare administration. Tyler, who has over 20 years of experience in RCM, emphasizes that "About 20% of the \$5 trillion healthcare market is tied to administrative costs, with a substantial portion of that dedicated to RCM." These high costs are driven by a variety of factors, including intricate payment systems, regulatory variations, and inefficient claims processes.

Caroline adds that the complexities of certain claims—such as workers' compensation, Veterans Affairs, and out-of-state Medicaid—further exacerbate the strain. "Healthcare providers struggle to manage these specialized claims internally, which is why outsourcing to companies like EnableComp has become increasingly attractive." EnableComp's focus on niche claim types exemplifies how vendors can address market gaps and improve efficiency in managing these complex claims.

Outsourcing as a Growing Trend

The demand for specialized RCM vendors is on the rise. Caroline points to the increasing labor costs and the post-COVID challenges that healthcare providers face as reasons for this increased outsourcing trend. "Providers are having a harder time justifying the expense of in-house RCM specialists, which has led to a significant uptick in outsourcing," she explains. This is also reflected in Tyler's experience at Sentrii RCM, where he and his team manage everything from credentialing to billing and collections. "We've found that outsourcing allows our clients to focus on providing high-quality care, leaving RCM functions to a vendor that excels in those areas."

The rise in outsourcing is not just limited to large health systems; it is also affecting smaller players. As healthcare continues to shift towards more fragmented models, such as ambulatory surgery centers and non-hospital providers, there is a growing need for RCM services. Caroline highlights this opportunity, stating, "These non-hospital providers, which are often less equipped to manage their revenue cycles, present a significant opportunity for RCM services, especially as AI reduces the cost to serve them."

The Role of Technology in RCM Transformation

Technology, particularly artificial intelligence (AI) and robotic process automation (RPA), is set to play a transformative role in the RCM industry. Caroline and Tyler agree that AI's potential to automate claims processing and improve efficiency holds promise, though they both caution that the deployment of these technologies has been slower than anticipated. Caroline points out, "The promise of AI is real, but the deployment is still in its infancy. Right now, we're focused on automating repetitive tasks, like claims processing, but we expect to see AI drive even more significant efficiencies in the future."

Tyler, who has implemented AI and RPA at his company, shares similar sentiments. He highlights the challenges associated with these technologies, stating, "The learning curve for RPA is steep, and the process of implementing it was slower than we expected. Our first RPA project took four months to deploy effectively, but now we're seeing the benefits in terms of speed and accuracy."

Despite the hurdles, Tyler remains optimistic about AI's long-term role. "Once the initial barriers are overcome, AI will become indispensable in prioritizing workflows and improving revenue capture."

Expert Insights — What is Driving Growth and M&A in Revenue Cycle Management?

Consolidation and Market Trends

Another key theme in the RCM landscape is industry consolidation. Both Caroline and Tyler are observing increased activity in the lower middle market, particularly in the \$2 million to \$10 million EBITDA range. Tyler explains, "There has been a significant amount of consolidation, and a lot of companies in that range are being sought after by investment firms. The challenge is ensuring that during these acquisitions, companies don't lose sight of client relationships or quality of service."

Caroline echoes this sentiment, noting that consolidation is not just a reaction to market pressures, but also a strategic move to gain the resources needed to compete, particularly in AI and other advanced technologies. "For vendors to remain relevant, they must invest in technology, and consolidation allows them to do that more effectively. At EnableComp, we're always looking for complementary solutions to expand our offerings."

Looking Ahead: Challenges and Opportunities

The future of RCM is shaped by several converging factors—technological advancements, increased outsourcing, and the ongoing trend of consolidation. Tyler's focus on integrating companies into Sentrui RCM's operations demonstrates the growing importance of a nimble, hands-on approach to acquisitions. "We've successfully acquired three companies in the past 18 months. Growth is essential for staying competitive in a market that's rapidly changing," he adds.

Caroline highlights that the demand for specialized services is only expected to grow. "As more healthcare providers focus on their core operations, they will continue to seek out vendors who can handle complex claims efficiently. The opportunity in this space is huge, especially as new technologies reduce the cost to serve."

Both Tyler and Caroline see continued opportunity in the RCM industry as it continues to grow and mature. The industry is evolving, and both operators and investors must remain agile to meet emerging challenges.



Tyler Lewis
Owner, Sentrui RCM

- Owner and Operating Partner of Sentrui RCM
- Sentrui RCM is a medical billing company that helps to maximize returns for physicians and private practices
- Previous experience includes various roles in financial services, operations, investment management and management consulting



Caroline Dechert
General Partner, WCAS

- General Partner at Welsh, Carson, Anderson & Stowe (WCAS)
- WCAS is a leading private equity firm focused on technology and healthcare
- Board Member of EnableComp, a provider of technology-driven solutions to improve complex revenue cycle performance



Public Company Comparable Index Constituents

Healthcare Providers

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
Community Health Systems, Inc.	\$ 13,513	41.3%	9.6%	\$ 1,205	\$ 1,557	8.1x	8.7x	\$ 12,551	0.8%	0.8%	\$ 6.07	96.5%
HCA Healthcare, Inc.	149,684	40.6%	19.7%	13,747	14,041	10.4x	10.7x	69,621	10.2%	6.3%	406.43	99.3%
Pediatrix Medical Group, Inc.	1,545	21.3%	9.9%	199	208	6.9x	7.4x	2,007	-0.3%	3.1%	11.59	89.1%
Surgery Partners, Inc.	8,930	23.6%	20.0%	596	509	13.2x	17.5x	2,985	10.0%	11.3%	32.24	87.3%
Tenet Healthcare Corporation	30,311	39.5%	19.2%	4,028	3,913	6.6x	7.7x	20,972	4.0%	2.4%	166.20	97.1%
UnitedHealth Group Incorporated	593,554	22.9%	8.9%	35,035	38,691	16.5x	15.5x	393,898	9.4%	12.1%	584.68	96.2%
Median		31.6%	14.6%	2,617	2,735	9.2x	9.7x	16,762	6.7%	4.7%	99.22	96.3%
Mean		31.5%	14.6%	9,135	9,820	10.3x	11.3x	83,672	5.7%	6.0%	201.20	94.2%

Medical Equipment & Supplies

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
Becton, Dickinson and Company	\$ 83,701	44.9%	25.8%	\$ 5,109	\$ 6,278	15.9x	13.3x	\$ 19,828	4.1%	1.3%	\$ 241.10	89.5%
Henry Schein, Inc.	13,429	31.6%	7.4%	922	1,072	13.3x	12.5x	12,499	-1.5%	0.7%	72.90	88.2%
Masimo Corporation	7,864	50.1%	9.7%	199	399	33.3x	19.7x	2,043	-3.5%	19.2%	133.33	86.6%
Medtronic plc	135,698	65.5%	27.7%	9,013	9,438	14.6x	14.4x	32,577	3.2%	1.0%	90.03	98.4%
Stryker Corporation	148,454	64.0%	25.9%	5,693	6,082	26.3x	24.4x	21,974	10.5%	9.6%	361.26	96.4%
Median		50.1%	25.8%	5,109	6,082	15.9x	14.4x	19,828	3.2%	1.3%	133.33	89.5%
Mean		51.2%	19.3%	4,187	4,654	20.7x	16.9x	17,784	2.6%	6.4%	179.72	91.8%

Support Service Providers

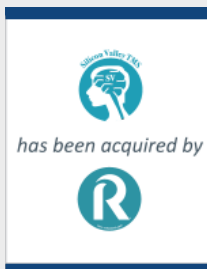
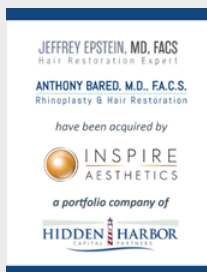
Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
Amedisys, Inc.	\$ 3,538	43.7%	10.1%	\$ 234	\$ 257	13.0x	13.7x	\$ 2,321	4.2%	1.7%	\$ 96.51	97.5%
Astrana Health, Inc.	2,791	15.1%	6.4%	109	176	21.7x	15.8x	1,722	29.7%	31.6%	57.94	98.6%
Cardinal Health, Inc.	27,113	3.4%	1.3%	2,924	2,823	9.0x	9.6x	224,454	6.9%	10.3%	110.52	95.2%
Option Care Health, Inc.	6,191	20.8%	8.0%	381	444	14.9x	13.9x	4,776	13.6%	12.9%	31.30	90.4%
The Pennant Group, Inc.	1,449	21.2%	6.3%	41	51	16.6x	28.1x	652	24.6%	14.4%	35.70	96.1%
Median		20.8%	6.4%	234	257	14.9x	13.9x	2,321	13.6%	12.9%	57.94	96.1%
Mean		20.8%	6.4%	738	751	15.1x	16.3x	46,785	15.8%	14.2%	66.39	95.6%

Behavioral Health

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
Acadia Healthcare Company, Inc.	\$ 7,897	43.1%	22.1%	\$ 689	\$ 748	11.0x	10.6x	\$ 3,123	9.1%	11.3%	\$ 63.41	72.2%
Universal Health Services, Inc.	20,216	41.7%	13.8%	2,124	2,195	9.4x	9.2x	15,418	9.9%	7.4%	229.01	94.1%
Median		42.4%	17.9%	1,407	1,471	10.2x	9.9x	9,270	9.5%	9.4%	146.21	83.2%
Mean		42.4%	17.9%	1,407	1,471	10.2x	9.9x	9,270	9.5%	9.4%	146.21	83.2%

Source: CapIQ, public trading data as of September 30, 2024

Representative EdgePoint Healthcare Transactions



For more information and insights, please contact us:



Matt Bodenstedt
Managing Director
Healthcare Group

Phone: (216) 342-5748
Email: mbodenstedt@edgepoint.com