

## HCIT Deals Update

## News and Notable: Emerging Themes

Healthcare technology innovation is being driven by both long-arching trends and the recent impacts of the pandemic. Previously, patient expectations were inspiring digital healthcare to improve the user experience and offer convenience. Remote work is now necessitating that employers implement cloud-based benefits, health, and wellbeing solutions to reach employees.

## Demand for Digital Tools Accelerated by COVID-19 Pandemic Across Employers, Providers, and Payors

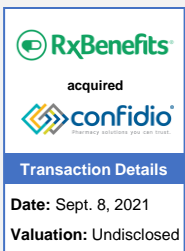
Before the COVID-19 pandemic began, the exciting new frontier for HCIT was led by tech companies building analytics platforms, promising to reduce healthcare costs by driving behavioral change and adherence.

Limeade and Microsoft believe there is a large market opportunity in employee wellbeing. In July, the Seattle-based companies partnered to build an integrated employee engagement platform. An emerging platform, b.well, raised growth capital in July to continue building out its portal for employees to access all their healthcare and insurance information in one place.

The increasing need for consumer-friendly healthcare solutions is leading to robust deal activity, such as Zelis's acquisition of Sapphire Digital, which layered a healthcare provider and cost navigation tool onto a claims processing and payments platform.

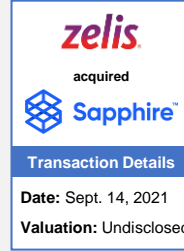
These are interesting examples of how the tech industry is delivering health engagement directly to consumers or through their employers or health plans. However, there is still an opportunity for a holy grail of B2B2C healthcare solutions: a comprehensive employee or member-facing platform that can drive real behavioral change, track clinical outcomes, and produce tangible cost savings.

## Q3 2021 Notable Deals



- RxBenefits, an innovator in pharmacy benefits for employers, announced its acquisition of Confidio, a pharmacy benefits consulting firm
- Confidio is a technology-enabled PBM consulting firm leveraging data analytics to minimize drug spend
- RxBenefits was recapitalized earlier this year by Great Hill Partners and Advent International at a \$1.1B valuation

*RxBenefits deployed a portion of its significant growth capital from January in the acquisition of Confidio*



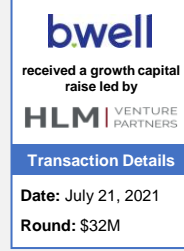
- Zelis announced it will be acquiring Sapphire Digital, a healthcare consumer-centered pricing and navigation software company with over 100M members
- Sapphire serves health plans, employers, and TPAs by providing members the ability to search for providers, see patient reviews, evaluate estimated costs, and book appointments

*Zelis acquired Sapphire Digital to improve user experience via access to health benefits and financial transparency*



- NexPhase Capital has recapitalized Selerix Systems, a provider of cloud-based benefits administration and employee engagement software
- Selerix will use the capital to further develop its user experience, simplify technology, and improve security
- NexPhase manages \$1.8B and targets investments that are at a growth inflection point

*Selerix has an active user base of over 8.3 million client employees and serves 18,000 employer groups*



- b.well Connected Health received \$32M of growth capital
- The round was oversubscribed, with existing investors ThedaCare and UnityPoint Health Ventures participating
- The funding will be used to accelerate b.well's significant growth in health systems and advance product innovations

*b.well had a post-money valuation of ~\$112M in a Series B raise led by HLM Venture Partners*

HCIT Deals Update

Patient Responsibility and Demand for Operational Efficiency Drivers

As adoption of high-deductible health plans and the overall increasing cost of care puts downward pressure on coverage rates by insurers, providers are increasingly faced with billing patients directly. Existing RCM tools designed to verify CPT codes and streamline insurance billing don't deliver the same value when the payor is a patient. At the same time, providers and health systems are facing severe revenue shortfalls due to postponed elective visits and the high costs of COVID-19 patients.

The result is a market opportunity for innovative technology solutions that can calculate patient responsibility, send bills and payment reminders, and offer an easy portal for accepting payment.

The new legislation regarding "surprise" billing will likely create even more opportunities for platforms to aggregate pricing data and communicate with patients. Having clinical pricing upfront is expected to improve patient collections and reduce medical debt.

At the same time revenue and patient flow is returning to in-office care, health systems and other providers are struggling to stay fully staffed. In healthcare, the national labor shortage is dual-pronged: higher skilled workers that were burned out during pandemic are retiring, taking leave from the industry to recover, or even switching industries. Meanwhile, necessary workers such as medical assistants and receptionists are in short supply due to a competitive labor market and continued concerns about exposure.

The result is increased demand for provider software that can streamline administrative functions, such as patient and payor billing, and free-up staff to focus on patient care. Olive is an example of a sophisticated AI-driven platform that is filling this demand. Olive's core product is focused on reimbursement; however, AI is being offered for clinical decision-making with a goal of making providers more efficient.

Q3 2021 Notable Deals



merged with



WAYSTAR

Transaction Details

Date: July 14, 2021

Valuation: \$450M

- Waystar is a leading healthcare payments software company backed by EQT and Canada Pension Plan Investment Board
- Waystar aims to make billing more transparent for patients by providing out-of-pocket costs upfront, so patients are informed and prepared before accepting treatment
- PatientCo has a consumer-friendly, "digital-first" patient billing platform

**Waystar acquired PatientCo, an omnichannel patient payments company, for \$450M**



Received a majority growth investment from



Transaction Details

Date: July 1, 2021

Round: \$400M

- Olive's enterprise-level AI platform represents the next generation of healthcare analytics and decision-support
- In November 2020, Olive was valued at \$1.5B
- The company will use the funds for hiring and to restock Olive's acquisition chest; this year, Olive acquired Empiric Health and Healthcare IP, which added to its "Olive Assures" RCM product line

**Olive raised \$400M from Vista Equity Partners, for a post-money valuation of ~\$4B**

*"As the economy navigates through the COVID-19 pandemic, management teams have seen their businesses accelerate or bounce back rapidly across the HCIT landscape. Against the backdrop of a heated M&A market, supported by a massive level of capital held within the strategic acquiror and investor communities, those platforms that bring highly visible growth, scale, and innovation are commanding forward-looking, record multiples. The resulting dynamics are driving a strong sellers' market that we believe will persist into 2022."*

**Alex Weiss**  
Head of Healthcare  
Managing Director

## Complex Claims Management: Creating a Niche in Revenue Cycle Management

### What Are Complex Claims?

“Complex claims” refers to healthcare claims that for many different reasons are difficult to collect and usually involve several different conditions, treatments, and / or medications. Some factors that lead to complexity are changing reimbursements, healthcare legislation, new treatment protocols, and patient comorbidities.

### Third Party Liability

A typical source of complex claims are claims with third-party liability. These claims require reimbursement from a party besides the patient or patient’s payor / insurance relationship. The type of care provided and determining who is liable for different aspects of care inhibits timely collections.

- **Workers’ Compensation Claims:** injury claims by workers that are reimbursable through employer insurance

The majority of the 20 largest workers’ compensation underwriters saw premiums rise in Q2 2021, with direct premiums totaling \$12.4B.

- **Motor Vehicle Accidents:** injury claims which are liable by a driver’s insurance; there may be disputes on which driver was liable, which can make these claims difficult to collect
- **Out-of-State Medicaid / Medicare:** when a patient receives care out-of-state there may be difficulties in obtaining reimbursement
- **Veterans Affairs (“VA”) Claims:** overburdened staff and an inefficient system can slow claims reimbursements with veterans’ claims

Most claims start out as a straightforward injury claim, but become complex, often during recovery. A patient may face challenges following post-treatment protocols, and encounter obstacles that hinder recovery, such as depression or substance dependencies.

### Trends in Complex Claims

The complex claims industry has faced considerable headwinds from the conflicts between insurers and claimants. Third-party administration (“TPAs”) are continually under pressure from payors to manage costs of care and find ways to reduce responsibility with claimants. On the other end, healthcare costs and “mega” claims continue to rise.

Some of the key trends we see continue to increase the incidence of complex claims are:

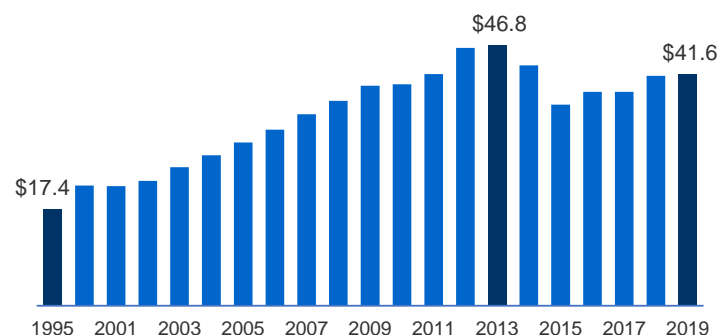
- **Return to In-Person Work:** as vaccination rates improved in the first-half of 2021, claims volumes for workers’ comp. and motor vehicle claims began reverting to pre-pandemic levels; WHA conversations with participants in this industry expect to see claim volumes reaching 2019 levels as schools, offices, and other work locations reopen
- **Social Inflation:** social inflation is the rise of larger (“mega”) claims and legal settlements in property & casualty insurance; in January 2020, Travelers’ Insurance cited social inflation of claims as one of the most significant risk factors for their business
- **Changing Labor Market:** longer lifespans, low retirement savings, and labor shortages are all increasing older workforce participation, which increases the severity of claims, while a lack of skilled labor in the claims administration business is squeezing the ability to service these claims
- **Evolving Care Delivery:** new care delivery channels, such as telemedicine and remote patient monitoring (“RPM”), are necessitating new billing codes and care practices which payors and TPAs may be behind in adopting; while these delivery channels often reduce costs to payors, claims may be difficult to bill or initially denied

### The Burden of Bad Debt and COVID-19

Prior to the pandemic, the shifting payor dynamics, surprise billing, and the escalating cost of care led to high accounts receivable (AR) balances and rates of bad debt for providers and hospital systems. In addition, hospitals continue to grapple with uncollectable costs from uninsured patients that use the ER for non-acute care. According to a TransUnion Healthcare report, in 2016 nearly 70% of patients with a \$500 or less bill did not pay their hospital bills in full.

#### Uncompensated Care at Community Hospitals

(\$ in billions)



Sources: *Business Insurance*, Current Employer Statistics Survey, and *AHA Annual Survey*

**Complex Claims Management: Creating a Niche in Revenue Cycle Management**

**The Burden of Bad Debt (cont'd.)**

The state of bad debt for providers in 2021 is understandably concerning. While many independent and small providers of elective procedures saw unprecedented drops in revenue, health systems were tasked with treating the most serious cases of COVID-19. These patients often had multiple comorbidities prior to their COVID-19 diagnosis, increasing the cost of care and raising questions on billing. The rise of the Delta variant continued delays in scheduling routine, billable procedures requiring in-patient care, such as an ICU.

**Niche Revenue Cycle Management**

For revenue cycle management companies serving the provider space, complex claims represent a lucrative opportunity due to the amount of time and money hospitals and other providers spend trying to manage these claims. The American Medical Association (AMA) estimates claims processing inefficiencies cost between \$21 billion and \$210 billion per year. Companies that build strong relationships with payors and a variety of provider models while also leveraging technology to streamline the process lead in this market niche.

**Active Complex Claims Solutions Platforms**



Westmont, IL

- Annuity Health offers early-out, self-pay collections, insurance follow-up and claim resolution, and primary and secondary debt recovery
- The company was acquired by Pine Tree Equity partners in 2018 in an LBO for an undisclosed sum and has since executed three add-on acquisitions



Dallas, TX

- Argos Health specializes in workers' comp., motor vehicle, VA, Medicaid, and ERISA claims
- The company was acquired by NaviMed in 2016 and recently traded to Welsh, Carson and Anderson & Stowe in September 2021



Columbus, GA

- Aspiron Health Resources serves providers with aging, workers' comp. and similar third-party claims
- The company was acquired by Aquiline Capital Partners in 2018 through an LBO for an undisclosed sum
- Aspiron recently acquired Advicare, its fourth acquisition



Atlanta, GA

- Cloudmed has been expanding its complex services to offer full revenue cycle management using data and analytics
- Since its LBO by New Mountain Capital, Cloudmed has acquired several companies, including RPA software company Databound in March 2021



Portsmouth, NH

- Kemberton services complex claims denials, workers' comp., motor vehicle, and VA claims, and disability eligibility cases
- The company received an undisclosed minority growth capital investment from LLR in 2017 to fund sales, technology, and potential acquisitions



Brea, CA

- Paratus leverages a proprietary in-house software platform and algorithms to automate third-party liability claims
- The company provides complex claims management expertise alongside a team who specialize in legal compliance throughout the claims process in an ever-changing regulatory environment



Boca Raton, FL

- RSource covers an array of complex claims, including coordination of benefits and patient denials and workers' comp., motor vehicle, and third-party liability claims
- In 2020, RSource received an undisclosed development capital investment from Sunstone Partners

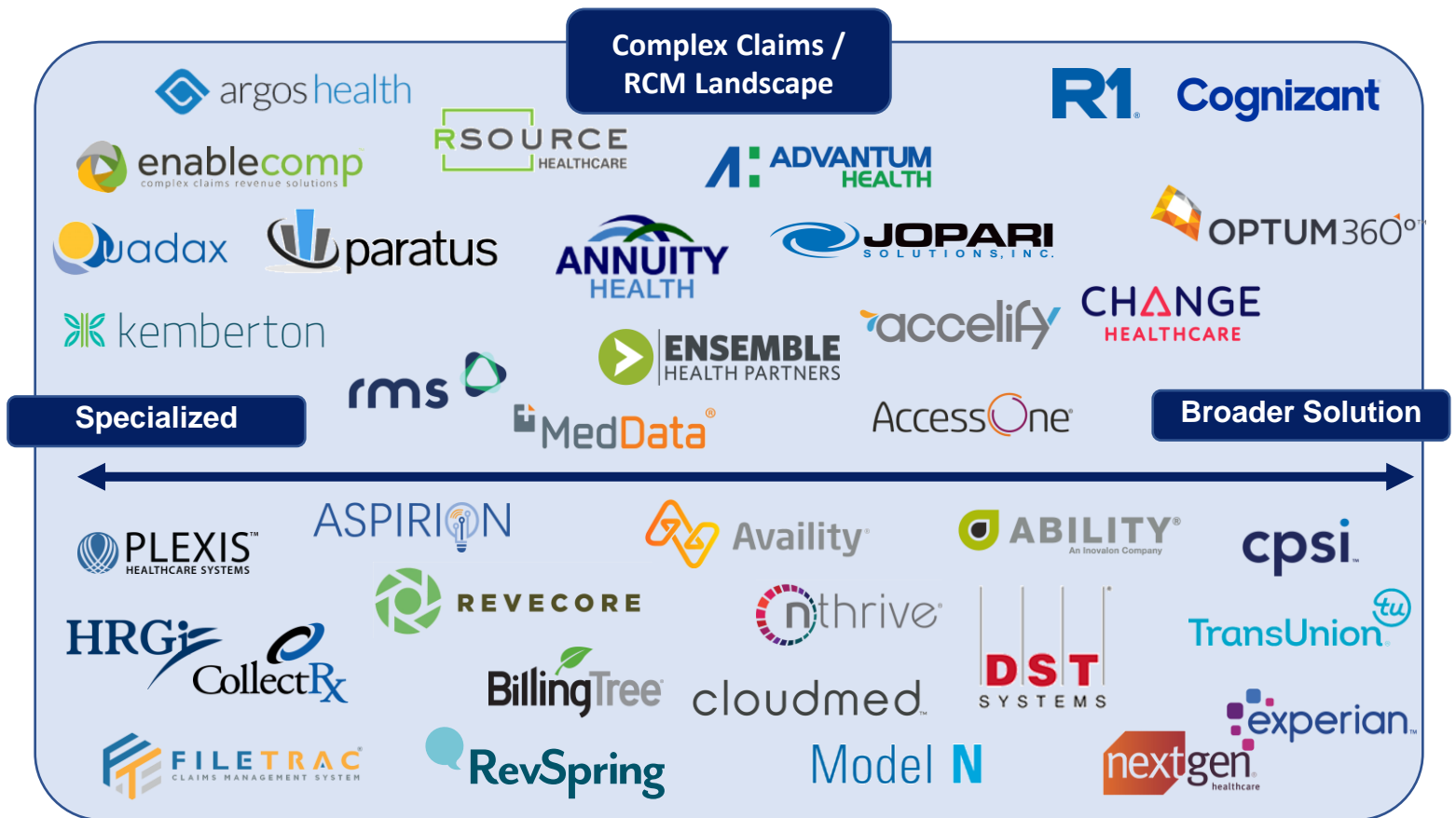


Franklin, TN

- Revecore has a strong regional presence in Southern Ohio, Kentucky, and Tennessee serving workers comp., motor vehicle and VA claims
- Medical Reimbursement of America (MRA) was merged with Bottom Line Systems in an LBO by Riverside Partners in 2017 to create Revecore

Sources: American Medical Association

Complex Claims Management: Creating a Niche in Revenue Cycle Management

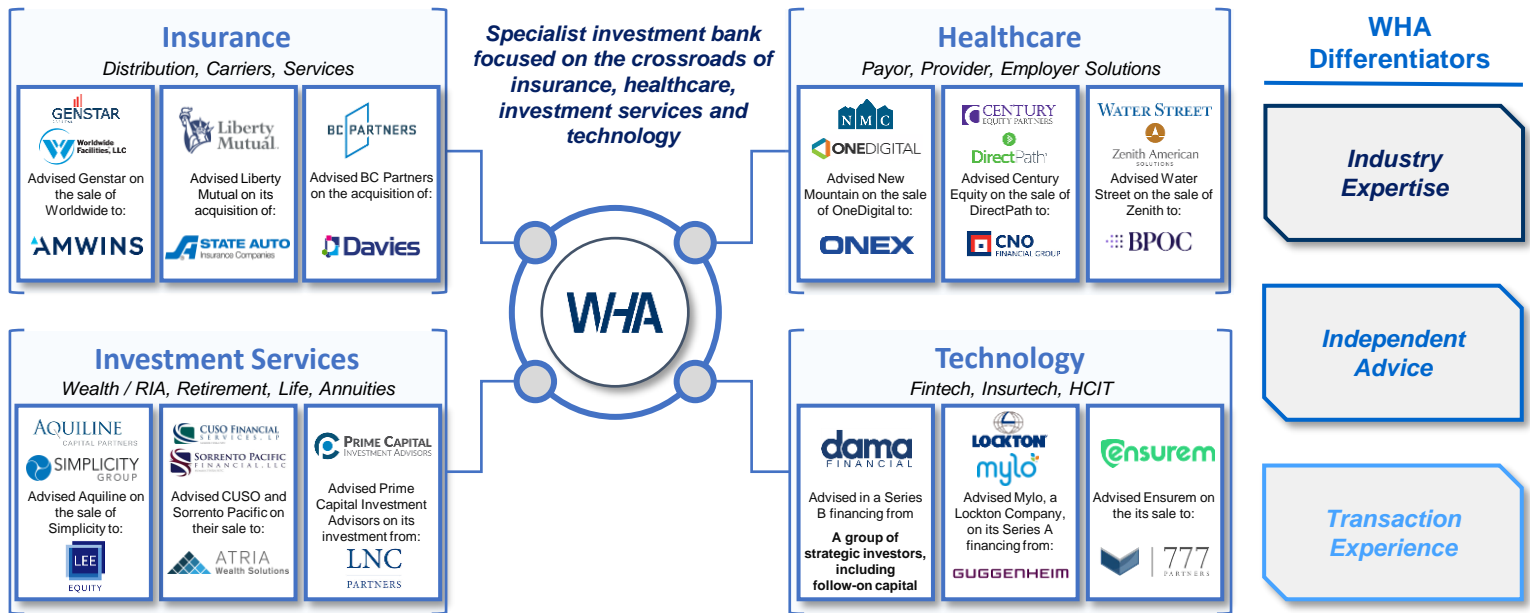


Relevant RCM M&A Transactions

Close Date	Buyer Name	Target Name	Transaction Value (\$M)	Multiples (x)	
				TEV / Revenue	TEV / EBITDA
Sep-21	Welsh, Carson and Anderson & Stowe	Argos Health	\$ -	N/A	N/A
Jul-21	R1 RCM, Inc.	Visitpay	300	10.4x	N/A
Apr-21	DuvaSawko	Gottlieb Temp	-	N/A	N/A
Feb-21	MedData	RevClaims	-	N/A	N/A
Dec-20	Firstsource Solutions	PatientMatters	13	0.7x	N/A
Sep-20	Waystar Health	eSolutions	1,350	10.0x	20.0x
Sep-20	Sunstone Partners	RSource Healthcare	-	N/A	N/A
Apr-20	R1 RCM, Inc.	SCI Solutions	190	N/A	N/A
Oct-19	Frazier Healthcare Partners and The Edgewater Funds	MedData	300	1.5x	N/A
Aug-19	Aspirion Health Resources	Specialized Healthcare Partners	-	N/A	N/A
Sep-19	EQT Partners and Canada Pension Plan	Waystar Health	2,700	N/A	18.0x
Jul-19	JPMorgan Chase & Co.	InstaMed	600	8.0x	N/A
Jul-19	Waystar Health	Digitize.AI	-	N/A	N/A
Jun-19	Argos Health	Caid Solutions	-	N/A	N/A
Sep-18	Pine Tree Equity Partners	Annuity Health	-	N/A	N/A
May-18	Aquiline Capital Partners	Aspirion Health Resources	-	N/A	N/A
Apr-18	Inovalon Holdings	ABILITY Network	1,190	8.5x	16.6x
Mar-18	Cognizant Technology Solutions	Bolder Healthcare Solutions	485	N/A	N/A
Feb-18	R1 RCM, Inc.	Intermedix	460	2.4x	9.6x
Dec-17	New Mountain Capital	Revint Solutions (dba Cloudmed)	250	N/A	8.3x
May-17	LLR Partners	Kemberton Healthcare Services	-	N/A	N/A
Mar-16	Riverside Partners	Revecore	46	N/A	N/A
Jan-16	Pamplona Capital Management	nThrive	2,700	3.5x	9.3x
<b>Mean</b>				<b>5.6x</b>	<b>13.6x</b>
<b>Median</b>				<b>5.8x</b>	<b>13.1x</b>

Sources: S&P Capital IQ, SNL Financial, public materials & WHA estimates

## Waller Helms Advisors At a Glance



## Relevant WHA Attributes

<b>50</b> Transactions Since Jan. 1 <sup>st</sup> , 2019	<b>\$15B+</b> Aggregate Value of Deals Since Jan. 1 <sup>st</sup> , 2019	<b>~\$350M</b> Average Deal Value	<b>27</b> Investment Banking Professionals
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## Healthcare Practice Areas of Focus

<b>Healthcare Benefits</b> Benefits distribution, enrollment, and technology	<b>Digital Health</b> Telemedicine, provider access, and care delivery
<b>Healthcare Enterprise Services</b> Provider tools, EMR systems, PBMs, and other HCIT	<b>Care Coordination</b> Provider communication and care management
<b>Population Health</b> Healthcare data and analytics, AI tools, and value-based care	<b>Digital Engagement &amp; Wellbeing</b> Patient and employee engagement tools
<b>Diagnostics &amp; Remote Monitoring</b> Biometric collection, remote monitoring, and med. device	<b>Revenue Cycle Management</b> Eligibility, billing, claims management, and payments

Please feel free to reach out to any of our healthcare leadership to discuss these industry updates further.

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