

Key Themes & Notable Transactions: Payor Services

Buyer & Investor Perspectives: Cost Containment Platform or Point Solution?

**Expansion without Conflict: Owned vs. Outsourced Solutions**

With the self-funded benefits ecosystem increasingly focused on managing costs for employer payors and their employee members, the number of companies exclusively dedicated to cost containment has grown meaningfully, while TPA and related platforms have differentiated themselves, in part, through cost containment solutions. Which begs the question, in creating a “platform”, at what point do these solutions create channel conflict (e.g., displacing vendor partners, friction with claims mgmt. business, etc.)? And which solutions should be brought in-house vs. offered through a vendor partner? Lastly, at what point does the volume of solutions degrade the consumer experience and become administratively burdensome?

Companies that are looking to offer new solutions likely address two key points: cross-selling opportunities and returns associated with building in-house (longer ramp, upfront investment, long-term margin expansion) vs. partnering with a vendor (shorter ramp, no upfront investment, less margin expansion, if any). A third point that receives less attention is channel conflict, or the potential for a new solution to create friction with and/or cannibalize other solutions / segments of the business.

Investors and buyers alike work through the same thought track in evaluating platforms, determining both organic and inorganic growth theses, and ultimately, an ability to amalgamate the right solutions to create a “platform”, while not adding too many to the point of diminishing return.

**Determining Business Model Sustainability**

In an industry that brings more complexity, more competition, and more technology disruption every day, investors seek to get conviction around an immeasurable component: long-term sustainability. In other words, is the business model and underlying solution providing a unique value proposition and thus sufficiently insulated against the risk of displacement over time? Is there, and will there continue to be, a need for it in the market? Will a significant portion of the business recur for a reasonable period of time?

One approach to answering these questions is looking through the clients’ lens and seeing how members interact with each solution. More specifically, mandatory benefits vs. voluntary programs that require effective engagement, the success of which is partially measured by utilization. Also, forming a view as to whether a solution can be considered a cost center or a revenue generator (i.e., although the client incurs a cost for this solution, it may still enable the business to realize incremental opportunity in the form of business development / revenue, operational efficiencies, etc.). Determining that may then answer the question: if there’s a market downturn where cost cutting becomes a priority, what happens to this solution?

Notable Recent Deals

Waller Helms Transaction Spotlight



Recapitalized by



**Date:** Oct. 2023  
**TEV:** Undisclosed

- S&S, a provider of administration and technology solutions to self-insured employers and TPAs, received a majority investment from Lovell Minnick
- Proprietary claims adjudication system enables S&S to support any plan design and account structure to offer cost-effective, tailored solutions for employers

*LMP will support S&S in pursuing acquisitions as well as investment in its proprietary claims system*




Received a minority investment from




**Date:** Feb. 2024  
**TEV:** Undisclosed

- TA Associates-backed Benecon Group received a significant growth investment from Neuberger Berman
- Benecon helps design and implement self-funded health plans for SMEs
- TA remains the lead sponsor while management retains a significant stake

*Investment will support Benecon’s continued growth in standing up self-funded plans and containing costs for SMEs*



Merged with



**Date:** Sep. 2023  
**TEV:** \$3 billion

- Virgin Pulse, digital wellness and navigation company, merged with benefits TPA, HealthComp
- Combined business will serve 20M+ members and 1,000+ employers
- New Mountain is majority owner of NewCo, Marlin Equity retained minority

*Merger aims to create an integrated platform for employer-sponsored health benefits to lower healthcare costs*



Recapitalized by



**Date:** Jun. 2023  
**TEV:** Undisclosed

- Pareto Health received a growth investment from Warburg Pincus; Great Hill retained an equal stake
- Pareto serves the self-funded benefits market by forming and managing employee benefit group captives and offering a range of cost containment tools

*Further supports mission of making self-insurance accessible for SMEs, reducing volatility and containing cost*

Key Themes & Notable Transactions: Payor-Facing HCIT

Member Engagement & Payment Integrity Innovation

Member Engagement & Experience

With the current macroeconomic backdrop, as payors face operational and financial pressures, investment in IT, specifically related to cost-optimization, is expected to be a common theme in 2024. While managing costs is not a new concept, the strategies used to accomplish it continue to evolve. In addition to the most common strategies seen historically, payors have / will invest in personalized care & benefit, payment integrity, condition management and utilization management. That said, the effectiveness of these cost containment efforts are only maximized through member engagement.

Member engagement, and the overall member experience, is a key factor in retaining and growing the member base, as well. Payors are investing more in improving that experience by offering members more than the traditional customer support resources. In addition to benefits and billing support, companies are offering advocacy to educate and inform a path to the right care, price transparency, wellness engagement, and mental or behavioral health support. Maximizing touch points with members and value-add solutions offered to members is a core to attracting investor / buyer interest.

Poised for Innovation: Payment Integrity

A number of industry trends – including growth in healthcare spending, complexity in billing and claims processing, emergence of new care delivery models, and increased use of virtual care – have highlighted the need for payment integrity solutions and driven payors to invest in innovative technology solutions. And while many view it to be a solution in its own right, there are core capabilities that comprise payment integrity:

Claims Editing	Network Repricing	Clinical / Coding Review	Complex Clinical Review
Audit / Prebill Discovery	Data Mining	Coordination of Benefits	Subrogation

Tech innovation, specifically within analytics and AI, could have an outsized impact on the payment integrity landscape, as effectiveness relies on the breadth and efficiency of gathering and reviewing large amounts of data. Even small improvements in the accuracy and efficiency of claims adjudication can yield a substantial financial impact for payors and members, for example.

New Entrant Moves in the Payor Ecosystem



Partnered with



Partnered with



Partnered with



Sources: S&P Global Market Intelligence

Waller Helms Transaction Spotlight



Recapitalized by



Date: Nov. 2023  
TEV: Undisclosed

- Navigate Wellbeing, a leading employee engagement technology platform, was recapitalized by McCarthy
- Comprehensive SaaS engagement platform consisting of robust engagement programming, P2P capabilities, survey tools, targeted communications and social sharing

Investment enables the business to accelerate growth, introduce new tech and execute on accretive acquisitions

Waller Helms Transaction Spotlight



Recapitalized by



Date: Jan. 2023  
TEV: Undisclosed

- Wellworks For You, a tech-enabled wellness and population health mgmt. company serving employers, health systems and health plans, received an investment from RiverGlade Capital
- Offering includes health challenges & coaching, chronic care mgmt., claims analytics and preventative screenings

Provides employers with key insights into their employees' overall well-being and potential risks



Acquired



Date: May 2023  
TEV: \$160M

- MultiPlan acquired BST, an analytics company focused on reducing the cost of care and improving health outcomes
- Key products BST brings to MultiPlan include: price transparency, reporting & decision tools, risk analytics, and supplemental solutions

Strengthens MultiPlan's foothold in adjacent markets by unlocking value of its claims flows for in-network programs



Acquired majority stake in



Date: May 2023  
TEV: Undisclosed

- Centene sold Apixio, an AI platform supporting health plans and providers in delivery of value-based care, to New Mountain Capital
- Shortly after, Apixio merged with ClaimLogiq, a tech-enabled payment integrity company

Goal of building a 'connected care' platform that enables the shift to outcomes-based reimbursement models

Key Themes & Notable Transactions: Provider-Facing HCIT

Pursuit of End-to-End RCM Solutions & Value-Based Care Enablement

Given the financial pressures facing providers today, as well as secular trends of value-based care and consumerism, many are seeking software-based solutions to optimize resources and improve financial outcomes. Additionally, increase in claim denials over the last two years as well as an uptick in payor audits long after payment has been made, further highlight the need for revenue cycle optimization solutions.

**End-to-End RCM Solution**

In the pursuit of an end-to-end RCM platform, some providers have adopted technology from a single vendor. Providers are dealing with severe staffing shortages, payor challenges, limited or non-existent margins, and a changing regulatory environment. Vendors are continuing to strive for an end-to-end solution to help providers overcome these pressures.

While there are limited use cases to date, providers utilizing a single vendor have reported enhanced integration, streamlined workflows, cost efficiencies and strengthened vendor partnerships.

**Bundled Payments**

The shift to value-based care has resulted in payors restructuring reimbursement models to account for both quality of care and healthcare costs. As fee-for-service models continue fading into the background, alternative methods, such as bundled payments, are helping define the future of RCM. Bundled payments have been a popular strategy as it allows providers to embrace value-based care without assuming full downside risk. As is the case with any value-based payment model, there are several key areas that will determine its effectiveness, including provider communication / care coordination, clearly defining an episode of care, developing patient risk stratification methods, and standardizing clinical protocols, among others.



Acquired



Date: December 2023

TEV: \$681 million

- R1 announces acquisition of Acclara, Providence's wholly owned RCM operations and technology business
- Includes 10-year exclusive partnership agreement with Providence for end-to-end solutions across all care settings
- First major cross-sell of full R1 solution set from Cloudmed customer base
- ~27.2x adj. EBITDA and ~2.3x revenue

*With Acclara, R1 brings new customers, enhances modular scale and streamlines deployment*



Acquired



Date: January 2024

TEV: Undisclosed

- Ventra announced a merger with Advocate RCM, a provider of tech-enabled RCM services for radiology and other facility-based physician specialties
- Ventra gains a trusted partner to independent radiology practices, facility-based groups and large national providers
- Advocate will operate as a division of Ventra

*Combined company represents one of the nation's largest providers of end-to-end RCM services*



Acquired



Date: October 2023

TEV: Undisclosed

- WellSky, a health & community care technology company, acquired Corridor, a tech-enabled provider of outsourced coding, RCM and education solutions
- WellSky bolsters its post-acute care services including coding, clinical doc review, billing and collection
- Corridor serves 2,600+ client sites and supports 52,000+ clinicians

*Acquisition strengthens WellSky's position in home health coding & RCM and allows it to expand into SNF billing*

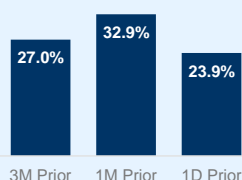
**Feb. 26<sup>th</sup> Transaction Alert**



Submitted proposal to acquire 67.6% of

- Proposal to acquire remaining 67.6% for \$13.75 per share
- \$7.4B TEV; \$5.8B EV
- ~14.3x EBITDA; ~3.35x revenue

**Deal Premiums**



**New Entrant Moves in the Provider Ecosystem**



Acquired



Partnered with



Acquired



Received growth investment from



Date: May 2023

TEV: \$681 million

- TA Associates made a significant growth investment in RCM company Alpha II, alongside existing investor WestView
- Alpha II uses its rules engine to identify coding errors to ensure appropriate reimbursement and fewer claim denials
- Recently expanded its revenue cycle workflow solutions to include insurance verifications and MIPS reporting

*Investment aims to continue the development of technology to drive provider organization missions*

## Legislation &amp; Policy Update

## 2023 Update

Lower Costs More Transparency Act of 2023

Late in 2023, the House passed the Lower Costs More Transparency Act of 2023, which would require extensive new price / cost disclosures by hospitals, insurers, imaging services, diagnostic labs and PBMs. It also bans PBM spread pricing in Medicaid, requiring them to pass on savings they negotiate with drug companies and instead get paid a set administrative fee.

Hospitals:

For hospitals, the bill helps those that treat a large share of uninsured patients by delaying Disproportionate Share Hospital, or DSH, cuts for two years. The cuts were written into law in the Affordable Care Act on the assumption that with more people insured, hospitals would deliver less uncompensated care, but that has not happened. The bill pushes \$8B in cuts / year for next two years.

Community Health Centers:

Extension of funding for community health centers, \$4.4B annually to support the fund through 2025. It also extends the National Health Service Corps through 2025 and funds the Teaching Health Center Graduate Medical Education program through 2030.

PBMs:

The Lower Costs More Transparency Act of 2023 would require PBMs (as well as hospitals and labs) to release information on prices and crack down on how PBMs negotiate prescription drug prices for employers and health insurance companies.

FTC Eyes Healthcare Mergers

Federal regulators changed the final merger guidelines this week as the agencies outlined their plan to limit consolidation in all industries, including healthcare. Updated guidelines could have a wide-ranging impact on many types of deals, including cross-market health system mergers and physician practice acquisitions by hospitals and insurers.

Broaden scope of regulator review to proposed impact on the labor market, consolidation history, mergers that limit competitors' access to products, and whether a merger is used to "bundle" the sale of two products.

Sources: Modern Healthcare, Kaiser Family Foundation

## Congress' Focus in 2024

Further PBM Regulation:

The Senate has not moved a similar bill to the floor, but the Finance Committee and the Health, Education, Labor and Pensions Committee have passed bipartisan legislation with many of the same items. Indeed, it goes further on PBMs because the measures would ban spread pricing and prohibit PBMs from linking compensation to high drug prices.

Site-Neutrality:

Another significant piece of legislation that could continue to arise is an effort to ban hospitals in the Medicare program from receiving higher care payments in outpatient facilities. These site-neutrality provisions are included in the Lower Costs bill and would have a strong chance of remaining in the final legislation.

Feb. 2024 Update: PBM & Site-Neutrality

Lawmakers are eyeing a significantly narrower package of healthcare legislation that would jettison major bipartisan proposals such as actions aimed at PBMs as well as the House-passed site-neutrality measures.

Medicare Pay for Doctors:

Starting in 2024, physician reimbursements will be cut by 1.25%, leading to visceral reactions from medical societies. In addition, ACOs are seeing their 5% bonuses for saving money trimmed.

A bipartisan group of lawmakers has signaled a desire to undo some of those cuts, and the Senate Finance Committee approved a bill that would partially restore Medicare physician payments to calendar 2023 levels.

Telehealth:

At a minimum, many members of congress want to renew flexibilities for telehealth services granted during the pandemic.

Medicare Advantage:

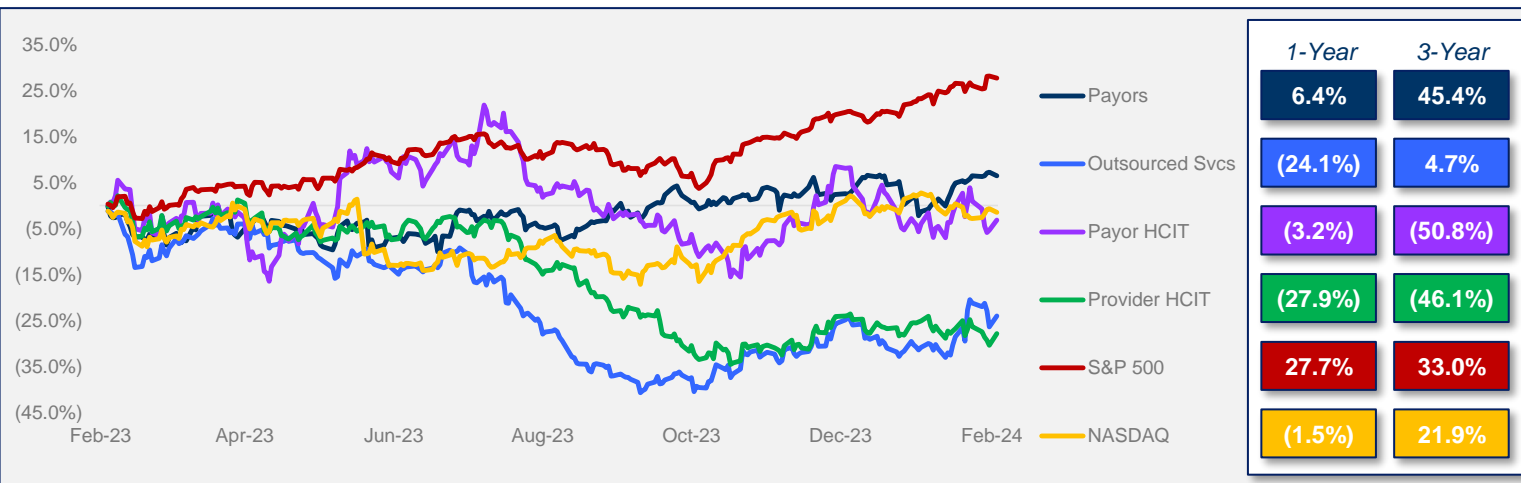
There is one major dark horse candidate to pass in 2024: legislation that targets Medicare Advantage payments to health insurance companies. In years past, Republicans have opposed reining in Medicare Advantage, while Democrats sought to reduce federal support for the privatized Medicare program.

But recent news about excessive use of prior authorization denials by Medicare Advantage insurers and overpayments by Medicare has triggered GOP complaints.

Public Company Performance

Trading & Valuation Trends

1-Year Share Price Performance<sup>(1)</sup>



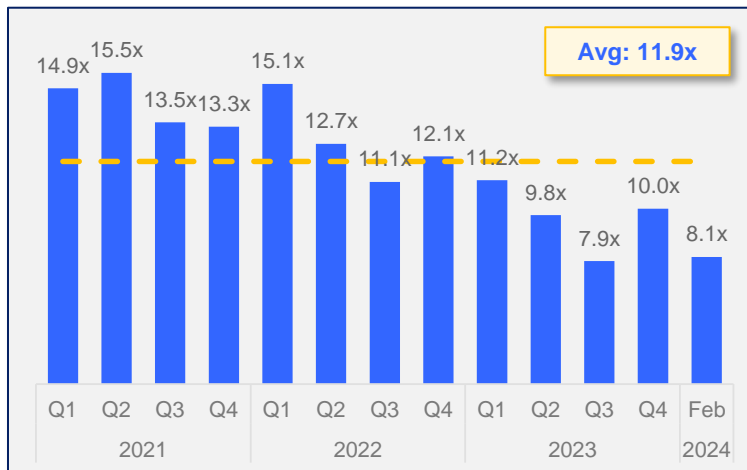
TEV / Fwd. EBITDA<sup>(1)(2)</sup>

Payors



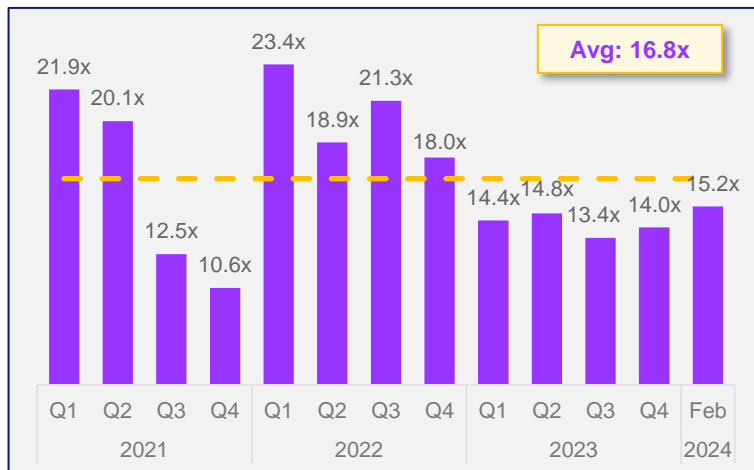
TEV / Fwd. EBITDA<sup>(1)(2)</sup>

Outsourced Services



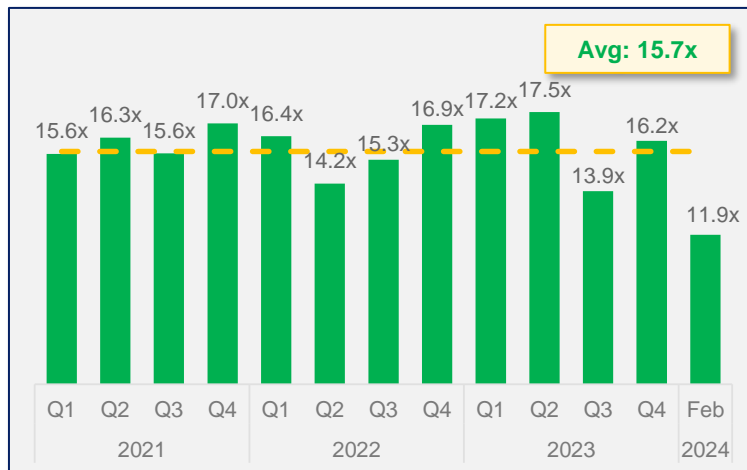
TEV / Fwd. EBITDA<sup>(1)(2)</sup>

Payor HCIT



TEV / Fwd. EBITDA<sup>(1)(2)</sup>

Provider HCIT



(1) Trading data as of 2/26/2024. (2) TEV / EBITDA multiples >40x are excluded. "Fwd." = next fiscal year.

Sources: S&P Global Market Intelligence, company filings

Public Company Performance

Peer Group Trading Comps<sup>(1)(2)</sup>

(\$ in thousands, except per share values)

Company Name	Stock Price 2/26/2024	% of 52- Week Range	Market Cap	Enterprise Value	Ent. Value / Revenue (x)			Ent. Value / EBITDA (x)		
					LTM	2024E	2025E	LTM	2024E	2025E
<b>Commercial &amp; Government Payors</b>										
UnitedHealth Group Incorporated	\$525.32	73.1%	\$485,882	\$523,289	1.41x	1.31x	1.22x	14.4x	13.0x	11.8x
Elevance Health, Inc.	\$506.55	90.4%	117,858	137,400	0.81x	0.81x	0.76x	12.3x	10.1x	9.3x
The Cigna Group	\$342.31	95.5%	100,127	123,363	0.63x	0.53x	0.51x	10.3x	9.1x	8.6x
CVS Health Corporation	\$76.43	55.0%	96,183	164,288	0.46x	0.45x	0.42x	7.6x	8.4x	7.9x
Humana Inc.	\$359.95	8.7%	43,429	51,393	0.49x	0.46x	0.44x	10.2x	12.8x	9.7x
Centene Corporation	\$80.23	94.2%	42,912	44,712	0.32x	0.31x	0.29x	7.0x	9.8x	9.0x
Molina Healthcare, Inc.	\$401.70	94.6%	23,459	21,122	0.65x	0.54x	0.50x	12.1x	10.2x	9.1x
<b>Average</b>		73.1%			<b>0.68x</b>	<b>0.63x</b>	<b>0.59x</b>	<b>10.6x</b>	<b>10.5x</b>	<b>9.3x</b>
<b>Median</b>		90.4%			<b>0.63x</b>	<b>0.53x</b>	<b>0.50x</b>	<b>10.3x</b>	<b>10.1x</b>	<b>9.1x</b>
<b>Other Outsourced Services</b>										
CorVel Corporation	\$249.26	82.9%	\$4,261	\$4,186	5.51x	NA	NA	31.7x	NA	NA
Agility, Inc.	\$9.86	33.0%	1,337	2,469	1.86x	1.76x	1.67x	8.5x	9.0x	8.5x
Healthcare Services Group, Inc.	\$12.46	51.4%	917	813	0.48x	0.46x	0.45x	12.4x	7.4x	7.0x
ModivCare Inc.	\$25.48	1.9%	361	1,499	0.55x	0.54x	0.51x	9.6x	7.9x	6.8x
<b>Average</b>		42.3%			<b>2.10x</b>	<b>0.92x</b>	<b>0.87x</b>	<b>15.6x</b>	<b>8.1x</b>	<b>7.5x</b>
<b>Median</b>		42.2%			<b>1.20x</b>	<b>0.54x</b>	<b>0.51x</b>	<b>11.0x</b>	<b>7.9x</b>	<b>7.0x</b>
<b>Payor &amp; Consumer-Focused HCIT</b>										
HealthEquity, Inc.	\$83.50	98.4%	\$7,164	\$7,765	7.88x	7.69x	6.65x	28.9x	21.5x	17.5x
Progyny, Inc.	\$39.87	67.2%	3,821	3,505	3.28x	2.57x	2.14x	NM	15.3x	12.6x
Evolent Health, Inc.	\$33.53	76.3%	3,819	4,449	2.30x	1.84x	1.60x	0.1x	17.4x	13.6x
GoodRx Holdings, Inc.	\$6.54	45.9%	2,656	2,573	3.40x	3.15x	2.96x	28.4x	11.4x	10.0x
Teladoc Health, Inc.	\$14.79	2.7%	2,471	2,943	1.10x	1.08x	1.03x	NM	8.0x	7.1x
Alignment Healthcare, Inc.	\$6.21	25.2%	1,174	955	0.56x	0.42x	0.35x	NM	NM	NM
Accolade, Inc.	\$10.75	41.4%	832	844	2.07x	1.94x	1.63x	NM	NM	NM
MultiPlan Corporation	\$1.17	33.3%	760	5,252	5.44x	5.20x	4.92x	8.2x	8.1x	7.6x
eHealth, Inc.	\$7.06	39.1%	200	433	1.06x	0.94x	0.85x	NM	34.4x	17.4x
GoHealth, Inc.	\$13.02	37.8%	124	868	1.64x	0.96x	0.87x	NM	5.7x	5.0x
<b>Average</b>		46.7%			<b>2.87x</b>	<b>2.58x</b>	<b>2.30x</b>	<b>16.4x</b>	<b>15.2x</b>	<b>11.4x</b>
<b>Median</b>		40.2%			<b>2.18x</b>	<b>1.89x</b>	<b>1.62x</b>	<b>18.3x</b>	<b>13.3x</b>	<b>11.3x</b>
<b>Provider-Focused HCIT</b>										
R1 RCM Inc.	\$13.89	51.0%	\$5,824	\$7,463	2.84x	2.35x	2.06x	14.4x	10.9x	9.4x
iRhythm Technologies, Inc.	\$106.11	51.2%	3,287	3,283	6.60x	5.60x	4.73x	NM	NM	NM
Premier, Inc.	\$21.28	16.3%	2,550	2,359	1.82x	1.84x	1.81x	4.7x	5.6x	5.6x
Privia Health Group, Inc.	\$20.00	7.5%	2,361	2,086	1.28x	1.06x	0.90x	NM	23.5x	18.3x
Phreesia, Inc.	\$25.38	49.7%	1,412	1,323	3.72x	3.55x	2.93x	NM	NM	NM
Omicell, Inc.	\$27.93	3.8%	1,270	1,406	1.20x	1.29x	1.22x	21.1x	13.3x	10.5x
Definitive Healthcare Corp.	\$9.15	52.3%	1,064	1,365	5.55x	5.05x	4.58x	NM	16.6x	14.5x
National Research Corporation	\$40.56	39.4%	982	1,013	6.73x	NA	NA	22.0x	NA	NA
Veradigm Inc.	\$8.31	4.6%	908	634	0.41x	0.98x	0.89x	4.6x	4.5x	NA
HealthStream, Inc.	\$27.46	80.8%	832	781	2.73x	2.59x	2.45x	12.7x	11.9x	11.2x
Health Catalyst, Inc.	\$7.72	12.1%	452	383	1.30x	1.24x	1.11x	NM	15.5x	10.3x
Computer Programs and Systems, Inc	\$9.45	3.3%	134	280	0.82x	0.79x	0.75x	11.7x	5.0x	4.4x
<b>Average</b>		31.0%			<b>2.92x</b>	<b>2.39x</b>	<b>2.13x</b>	<b>13.0x</b>	<b>11.9x</b>	<b>10.5x</b>
<b>Median</b>		27.8%			<b>2.28x</b>	<b>1.84x</b>	<b>1.81x</b>	<b>12.7x</b>	<b>11.9x</b>	<b>10.4x</b>

(1) Trading data as of 2/26/2024. (2) TEV / EBITDA multiples >40x are excluded.

Sources: S&P Global Market Intelligence, company filings

Waller Helms Advisors at-a-Glance

### Insurance

Advised Alacritty on its sale to:  
**BlackRock**

Advised DOXA on its sale to:  
**Goldman Sachs**

Advised Liberty Mutual on its acquisition of:  
**STATE AUTO Insurance Companies**

### Investment Services

Advised Prime Capital on its recapitalization by:  
**abry partners**

Advised Lion Street on its sale to:  
**INTEGRITY**

Advised Aquiline on the sale of Simplicity to:  
**LEE EQUITY**

### Technology

Advised Vimly on its growth equity capital raise by:  
**Group of New & Existing Investors**

Advised Ensurem on its sale to:  
**777 PARTNERS**

Advised Vista Equity on the sale of Trintech to:  
**SUMMIT PARTNERS**

*Specialist investment bank focused on the crossroads of insurance, healthcare, investment services and technology*

### Healthcare

Advised Navigate on its investment from:  
**McCarthy Capital**

**Engagement Technology**

Advised S&S on its investment from:  
**LMP LOVELL MINNICK PARTNERS**

**Medical TPA / BPO**

Advised HCSC on its sale to:  
**carelon Insights Elevance Health**

**Healthcare Subrogation**

Advised Sunshine Life & Health on its sale to:  
**Alliant**

**Health Ins. Distribution**

Advised Wellworks For You on its investment from:  
**RIVERGLADE CAPITAL**

**Engagement Technology**

Advised Picwell on its sale to:  
**Jellyvision**

**Benefits Technology**

Advised Vistria on its acquisition of:  
**Flores**

**CDHP & COBRA Administration**

Advised BenefitMall on its sale to:  
**TRUIST**

**Benefits GA**

Advised EmPower HR on its sale to:  
**Vensure Employer Services**

**PEO**

Strong Results in 2023

**45**  
*Deals Announced*

**\$9.4B**  
*Aggregate Deal Value*

**\$209M**  
*Average Deal Value*

**49**  
*Investment Banking Professionals*

Healthcare Areas of Focus

**Benefits Administration & Technology**

**Benefits Management / Distribution & Captives**

**Health Plans & Network Services**

**Cost Containment**

**Wellness, EAP & Engagement**

**Revenue Cycle Management**

**HR Outsourcing / PEO**

**Digital Health**

**Remote Patient Monitoring & Population Health**

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

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