# HCIT Deals Update

## News and Notable: Emerging Themes

Going into 2021, some wondered if the shift to digital care accelerated by the pandemic would reverse course or soften as provider settings reopened; instead, adoption rates and deal activity have picked up as consumers, accustomed to the ease of digital applications, began expecting the same experience from providers and care settings.

### Appetite for Consumer-Powered Healthcare Delivery Continues to Drive Deal Activity

Consumer demand for healthcare solutions continues to grow and is unlikely to abate coming out the pandemic. Consumers today are empowered by access to unlimited digital information and have been conditioned to expect on-demand, user-friendly platforms. This desire for a better user experience has pushed technology laggards in the private practice and small group provider markets to adopt platforms like Phreesia and Luma Health, which can offer the same easy-to-use digital experience that consumers are used to in entertainment and other mediums. These platforms also address the increasing challenges of no-shows and last-minute cancellations, which have risen in recent years.

Consumer awareness about healthcare is such a powerful motivator, that companies like 23andMe and Lemonaid Health are thriving on out-of-pocket business models and Best Buy, a leading consumer electronics company, is doubling-down on the idea that aging baby boomers will want to purchase remote monitoring devices from the same company that installs their home security or entertainment systems. While it is yet to be seen if in the face of rising healthcare premiums and deductibles consumers will still be willing to pay for elective out-of-pocket costs, it's clear that the demand for preventative, whole person healthcare is large and consumers' expectations have risen.

### Q4 2021 Notable Deals

Phreesia acquired Insignia Health

**Transaction Details**

**Date:** Dec. 13, 2021
**Valuation:** $35M

- Phreesia, a patient intake software provider, announced its acquisition of Insignia Health, developer of a patient activation and assessment application
- Insignia Health's proprietary Patient Activation Measure® ("PAM") allows clinicians to assess a patient's ability to self-manage their care
- Phreesia plans to deploy Insignia's application through its intake platform

***Phreesia purchased Insignia Health for $35M in cash***

luma health received a Series C capital raise led by FTV Capital

**Transaction Details**

**Date:** Nov. 23, 2021
**Raise:** $130M

- Luma Health, a patient scheduling, intake, and communications platform, received a Series C investment led by FTV Capital with follow-on participation by PeakSpan Capital, Epsilon Health, and others
- Luma Health offers a "Total Patient Engagement Platform" that integrates with existing EHR systems, increases patient acquisition and retention, and enables patient communication

***Luma Health raised $130M in a Series C funding led by FTV Capital***

23andMe acquired LEMONAID

**Transaction Details**

**Date:** Oct. 22, 2021
**Valuation:** $400M

- 23andMe, a category-creating consumer genetics and research company, completed its acquisition of Lemonaid, a digital health provider and pharmacy
- Lemonaid streamlines the prescription process by supplying telehealth providers with clinical recommendations, then ships prescriptions same-day
- Together, 23andMe and Lemonaid open a new future for personalized medicine

***23andMe acquired Lemonaid Health for $400M in a mixed cash and stock deal***

BEST BUY acquired current health

**Transaction Details**

**Date:** Oct. 12, 2021
**Valuation:** $400M

- Best Buy acquired Current Health, a leading homehealth platform
- Current Health provides remote monitoring, telehealth, and patient activation for health systems
- Current Health builds on Best Buy's pivotal expansion into remote patient monitoring with its 2018 acquisition of Lively (formerly GreatCall)

***Best Buy's valuation for Current Health was $400M in an all-cash acquisition***

# HCIT Deals Update

## Telehealth and In-Person Care Merging into Venue-Agnostic Total Care Delivery

Before the pandemic, telehealth evangelists were fighting a battle against outdated regulations, nonexistent payment models, and the inertia of a general resistance to change. While patients and self-insured employers were beginning to see the benefits of telehealth before 2020, the tidal wave of adoption by smaller practices and the general patient population only happened in the context of a world where regular in-patient care nearly ceased to exist.

The result was a boon for first movers like Teladoc and MDLive, but the more interesting shift happened when hospitals and physician practices began implementing their own telemedicine solutions nearly overnight. Originally, some practices opted for ad hoc solutions, such as Zoom or Microsoft Teams, but as the pandemic continued, the risks in security and compliance pushed providers to invest in tailored solutions. Powering this shift were companies like Zipnosis, Amwell, and athenahealth, which provided HIPAA-compliant, cloud-based platforms that can host both video consultations and patient health information.

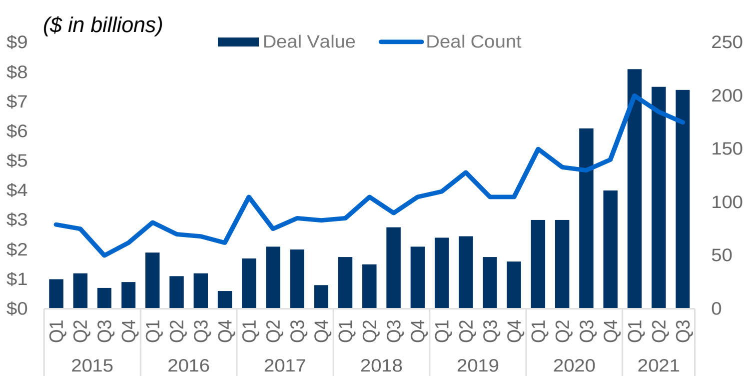
**Medicare telehealth visits grew from 840,000 in 2019 to 52.7M in 2020**

As the pandemic entered a phase of slow-opening, it became clear that many consumers actually preferred the new digital healthcare delivery methods. Telehealth saved patients trips to the office, time in waiting rooms missing work, and improved access for those with limited transportation options. It allowed physicians more flexibility and lessened potential exposure to the still circulating virus.

Providers are now looking at telehealth not as a separate solution, but part of an integrated care delivery model. An initial consultation can be done over a video platform, while in-person care focuses on examinations and testing. Specialists can even be seen via telehealth referral, moving patients quicker to treatment.

This radical shift did not fail to escape the notice of investors and dealmakers, from venture to large growth capital funds. Q3 2020 – Q3 2021 saw an unprecedented increase in deal volumes, particularly in the growth and investment stages. Deloitte ran an analysis on what they defined as "expansion stage" digital healthcare deals and calculated $23.8B in investments in just the first three quarters of 2021.

**Digital Health Deal Volume**




Even more importantly for sustainability, providers are now lobbying Medicare officials and insurers to retain the temporary telehealth reimbursement models originally put in at the beginning of the pandemic, insisting that patients are able to continue benefiting from comprehensive, reimbursable digital care.

## Q4 2021 Notable Deals

athenahealth recapitalized by BainCapital Hellman & Friedman

**Transaction Details**

**Date:** Nov. 22, 2021

**Valuation:** $17.0B

- athenahealth is a leading provider of cloud-based enterprise software solutions for health systems and providers
- Bain and H&F acquired athenahealth from Elliott Management, an activist hedge fund that took over in 2018
- Elliott had combined athenahealth with Virence Health Technologies, expanding beyond EHR to facilitating value-based care delivery

***athenahealth was jointly recapitalized for $17.0B by Bain Capital and Hellman & Friedman ("H&F")***

Oak Street Health acquired RubiconMD

**Transaction Details**

**Date:** Oct. 21, 2021

**Valuation:** $130M

- Oak Street Health is a leading value-based care company, with neighborhood health centers engaging patients and improving access to care
- RubiconMD has a network of over 230 specialists who take remote consultations
- The combination will enable Oak Street's primary care practices to access high quality specialist opinions in an accessible, cost-effective setting

***Oak Street Health acquired specialist telehealth provider RubiconMD for $130M with a $60M earnout***

Sources: Deloitte, "Road to Next"; Department of Health and Human Services; *Rock Health,* "Q3 2021 Digital Health Funding"

# Focus on the SMB Market: Benefits Solutions to Serve Small-to-Medium Businesses

## Better Technology and Employee Retention Needs Fueling SMB Market Expansion

Efficiencies in technology and a growing recognition of small business needs are creating significant momentum within SMB-focused companies that are offering enterprise-quality solutions down market.

### Scaling Down Technology

Going back to the '90s, software companies often focused on creating solutions for one or two large enterprise clients that would feed cash needs. Founders partnered with existing platform providers like SAP or corporate clients to develop tailored solutions. SMBs employ nearly half of all U.S. workers, yet they have had to make do with "off-the-shelf" solutions due to vendors' historical challenges in serving smaller life groups profitably. Flexible, cloud-based software designs and easy-to-scale hosting like Amazon Web Services made it feasible for technology companies to build platforms that serve a diverse range of clients across the U.S.

Today, new features can easily be rolled out and "customization" is as simple as subscribing to a module. Classic successes are Microsoft and Salesforce, which offer the same high-quality experience to businesses of all sizes.

### Benefits Technology for SMBs

This revolution in software design is now disrupting the benefits technology industry, which had been slower to change, often relying on outdated systems. Historically, it has been challenging for vendors to effectively and profitably reach a vast network of fragmented SMBs and gain the scale advantages of serving a large pool of client lives. However, these challenges have eased in recent years due to technology evolutions in serving the various models of SMB employers, including, but not limited to, Professional Employer Organizations ("PEO"), Multi-employer Welfare Arrangements ("MEWA"), Association Health Plans, ("AHP"), or standalone employer groups. Bringing a level of technology sophistication to the human capital management ("HCM") suite within these groups enables effective servicing of these clients and has proven to be the main driver in penetrating this massive pool of employee lives.

## Notable SMB-Focused Deals in 2021

TriNet acquired zenefits

**Transaction Details**

**Date:** Dec. 23, 2021

**Valuation:** Undisclosed

- TriNet Group, a public professional employer organization ("PEO"), announced it would acquire Zenefits, a cloud-based HR services platform
- Zenefits had recently gone through a buyout in March 2021 to Francisco Partners and Snow Fox Partners
- TriNet will use Zenefits' platform to expand beyond PEO to also offer ASO (Administrative Services Only)

***TriNet is acquiring Zenefits, expanding its client base to 24,000+ SMBs and over 600,000 employees***

VIMLY Benefit Solutions completed growth capital raise led by MK capital

**Transaction Details**

**Date:** Oct. 13, 2021

**Raise:** Undisclosed

- Vimly Benefit Solutions, one of the leading HRIS bentech platforms providing a digital quote-to-card experience, completed an undisclosed growth equity raise
- The round was led by MK Capital and included other follow-on investors
- Vimly will use the capital to execute on robust client demand, enhance its existing platform, and extend its product offering

***Vimly Benefit Solutions completed a new capital raise to fund accelerating growth***

ease completed Series C raise led by Spectrum Equity

**Transaction Details**

**Date:** Mar. 25, 2021

**Raise:** $41M

- Ease, a healthcare insuretech enrollment software provider, completed a Series C raise let by Spectrum Equity with follow-on participation from existing investors
- Spectrum Equity invests in innovative Internet, software, and information services companies
- The new capital will be used to enable SMBs to leverage employee data to connect their systems and hire new talent

***Ease raised $41M in a Series C round for a post-money valuation of $200M***

employee navigator was recapitalized by JMI Equity

**Transaction Details**

**Date:** Jan. 12, 2021

**Raise:** $34M

- Employee Navigator provides benefits and HRIS software to insurance brokers, carriers, and HR departments
- JMI Equity executes majority, minority, and venture investments in high-growth software companies
- Employee Navigator will use the funds to hire across all functions and expand its product offering

***JMI Equity recapitalized Employer Navigator in a $34M growth raise***

Sources: U.S. Small Business Administration

# Focus on SMB Market: Benefits Solutions to Serve Small-to-Medium Businesses

## Shift to Self-Funded Insurance

Large enterprises have been moving to self-insured healthcare benefits models for some time. In a self-insured model, the company takes on more risk, but theoretically saves money on health benefits by capturing the percent of premiums that would normally go to an insurance company. Becoming self-insured has been much more difficult for SMBs as the life pools are smaller so risk is less distributed – a single employee needing costly chemotherapy or a child with a genetic disease could break an SMB's healthcare cost planning.

In addition to AHPs and MEWAs, new companies are being created to allow SMBs take advantage of self-insured models and lower their overall healthcare costs while providing great benefits. These companies are able pool the risk with other SMBs, creating enterprise-scale plans, contract with providers to create greater network access for employees, and offer various stop-loss plans to mitigate catastrophic risks.

### Notable Self-Insurance Solution Providers

**BENECON | TA ASSOCIATES** — Lititz, PA

- Benecon is a national self-funded plan developer and administrator serving health insurance plans across both the private and public sectors
- In December 2020, TA Associates completed a significant growth capital investment in Benecon; TA Associates invests in healthcare and business services companies

**ParetoHealth | Great Hill PARTNERS** — Philadelphia, PA

- ParetoHealth is an employee benefits group captive supporting self-funded SMBs to achieve greater savings and lower volatility on their healthcare costs
- ParetoHealth was recapitalized by Great Hill partners September of 2019 in a transaction which added $75M in new debt at an undisclosed valuation

**ROUNDSTONE** — Lakewood, OH

- Roundstone Insurance is a self-insured captive providing health benefits intended to keep costs below-inflation rates
- The company works to reduce risk and improve options for SMBs by pooling employers into a group medical captive allowing SMBs to achieve the scale of large organization
- Roundstone Insurance is privately-held

## Competition for Talent

The tight labor market, rising compensation expectations, and staffing shortages that have hit companies of all sizes across the U.S. are amplified with small businesses which compete for talent with larger enterprises that have more resources. According to Principal Financial Group, small businesses saw a 20% increase in turnover between March 2020 and March 2021. In a June 2020 survey of 50-500 employee life groups by Zenefits, 81% of employers responded that employee turnover is a "costly problem." To address this, 53% of employers responded that they increased employee recognition and 41% were investing in better benefits offerings.

This need to increase employee retention has opened the door for companies looking to capture more of the SMB market. Employee Assistance and wellness programs that were once mostly offered by large enterprises now are available to SMBs through cloud-based platforms.

### Recent Deals in Employee Engagement

**Virgin Pulse** acquired **Welltok**

| Transaction Details | |
|---|---|
| **Date:** | Nov. 10, 2021 |
| **Valuation:** | Undisclosed |

- Virgin Pulse, a tech-enabled employee engagement company, has completed its acquisition of Welltok, a health activation provider
- Welltok used rewards, social networking, and gamification to drive users towards healthy behaviors
- Virgin Pulse was interested in Welltok's personalization capabilities, fed by an extensive dataset profiling consumers

***With the acquisition of Welltok, Virgin Pulse expanded its employee engagement platform to healthcare activation***

**WORKPLACE OPTIONS** recapitalized by **WINDROSE HEALTH INVESTORS**

| Transaction Details | |
|---|---|
| **Date:** | Oct. 29, 2021 |
| **Valuation:** | Undisclosed |

- Workplace Options ("WPO") offers emotional, practical, and physical wellbeing support through Employee Assistance Programs ("EAPs")
- WindRose Health Investors completes both traditional buyouts and growth capital raises in various healthcare subsectors, including benefits technology
- WPO will use the capital to accelerate growth and continue global expansion

***Windrose Health Investors recapitalized Workplace Options with an infusion of growth equity***

Sources: Zenefits, "Employee Turnover Infographic"; Principal Financial Group, "2021 Principal Business Owner Insights"

# Waller Helms Advisors At a Glance

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

### Insurance
*Distribution, Carriers, Services*

- Advised NMC on its recapitalization of Donan and CCG IQ:
- Advised Crouse and Associates on the sale to:
- Advised Liberty Mutual on its acquisition of:

### Healthcare
*Payor, Provider, Employer Solutions*

- Advised Vimly Benefit Solutions in its growth capital raise by:
- Advised New Mountain on the sale of OneDigital to:
- Advised Century Equity on the sale of DirectPath to:

### Investment Services
*Wealth / RIA, Retirement, Life, Annuities*

- Advised Aquiline on the sale of Simplicity to:
- Advised CUSO and Sorrento Pacific on their sale to:
- Advised Prime Capital Investment Advisors on its investment from:

### Technology
*Fintech, Insurtech, HCIT*

- Advised in a Series B financing from: **A group of strategic investors, including follow-on capital**
- Advised Mylo, a Lockton Company, on its Series A financing from:
- Advised Ensurem on its sale to:

### WHA Differentiators

- *Industry Expertise*
- *Independent Advice*
- *Transaction Experience*

## Relevant WHA Attributes

| | | | |
|---|---|---|---|
| **59**<br>*Transactions Since Jan. 1st, 2019* | **$16.5B+**<br>*Aggregate Value of Deals Since Jan. 1st, 2019* | **~$300M**<br>*Average Deal Value* | **27**<br>*Investment Banking Professionals* |

## Healthcare Practice Areas of Focus

**Healthcare Benefits**
Benefits distribution, enrollment, and technology

**Digital Health**
Telemedicine, provider access, and care delivery

**Healthcare Enterprise Services**
Provider tools, EMR systems, PBMs, and other HCIT

**Care Coordination**
Provider communication and care management

**Population Health**
Healthcare data and analytics, AI tools, and value-based care

**Digital Engagement & Wellbeing**
Patient and employee engagement tools

**Diagnostics & Remote Monitoring**
Biometric collection, remote monitoring, and med. device

**Revenue Cycle Management**
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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