

Market Update

Healthcare Services

Q2 2024

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Bourne's Healthcare Services Expertise

Healthcare Services Sector Expertise



Industry Segments

Healthcare Services

- Post Acute Care
- Behavioral Health
- Managed Care
- Physician Practice Management
- Alternate Site



Outsourced Services

- Distribution
- Home Medical Supplies / DME
- Labs
- Pharmacy & Pharmacy Services
- Staffing



Technology & Tech-Enabled Services

- Virtual Care-Enablement
- ProviderTech
- Payor Services & Technology

Transaction Structures

- Sell/Buy-Side M&A
- Carveouts
- Alternative Financing Solutions



Healthcare Services



Pharma Services



Pharma



Consumer Healthcare

Representative Healthcare Services Transaction Activity

 Growth Recapitalization and Fund-to-Fund transfer of 	 Sale of Home Infusion Assets to A portfolio company of PPC Partners	 Advisor to Board of Directors on Strategic Alternatives	 Sale to A portfolio company of Sell-Side M&A
 Acquisition of a Majority Interest in Integrated Healthcare	 Minority Equity Investment in Exclusive financial advisor to Magellan Health	 Financial Advisor to Quorum Health on its Chapter 11 Reorganization	 Advisor to Kinderhook on its acquisition of Buy-Side M&A
 Sell-side Advisor to Brand New Day 	 Buyside Advisor to BCBS of Arizona 	 Sale to A portfolio company of Buy-Side M&A	 Private Placement Exclusive Placement Agent

Note: Includes transactions completed at prior firms.



Section One

Healthcare Services Update

i. Healthcare Services Commentary

ii. Sub-Sector Spotlight: Behavioral Health

iii. Sub-Sector Spotlight: Infusion Therapy

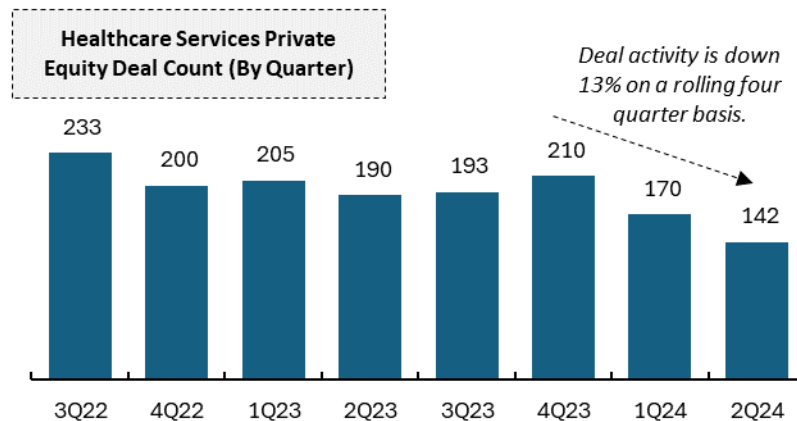
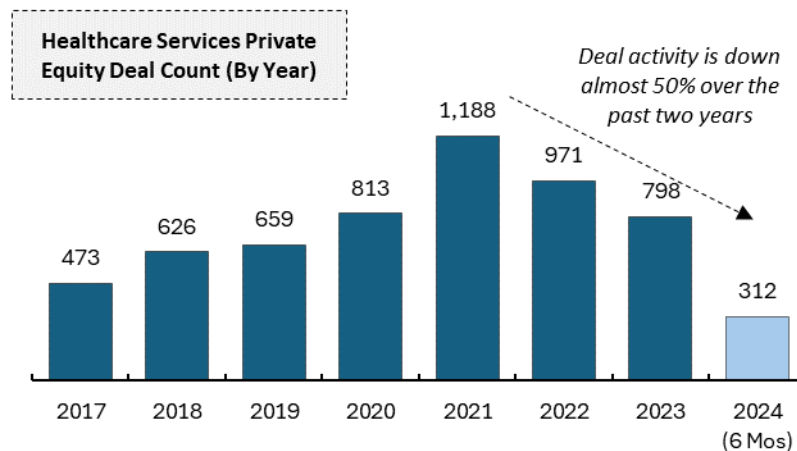


Healthcare Services Commentary

Overall healthcare services private equity deal activity remains healthy, in our view. Although deal activity has fallen from the “bubble levels” in 2021 and 2022, it is **generally in-line with pre-COVID levels** despite what has been the steepest rise in interest rates in the shortest period-of-time since the early 1980s. Behavioral health has arguably been a notable “bright spot” within healthcare services with a few recent platform deals, including *Behavioral Innovations* (acquired by Tenex Capital Management) and *Caravel Autism Health* (acquired by GTCR).

Selected Trends and Developments

- The Biden administration is getting more aggressive with “mental health parity” regulations** on private health plans. New regs give more specifics around how health plans must achieve “parity” between “mental health and substance use disorder” and “medical/surgical” benefits. Faced with elevated admin costs, there is a risk that employers may simply opt to drop mental healthcare coverage entirely (or increase premiums).
- Media reports suggest that the U.S. Drug Enforcement Administration is close to limiting the ability of providers to prescribe Substance II controlled substances** via telehealth when a patient and provider have not had an initial in-person visit. This would impact a range of medications for conditions like substance use disorder and attention deficit disorder.
- Post-COVID Medicaid redeterminations continue to plague the managed care space.** According to data from the Kaiser Family Foundation, Medicaid enrollments have fallen by well over 25 million since March 2023 when states could begin “unwinding” their Medicaid rolls of ineligible.
- Enrollment in Medicare Advantage (MA) plans continues to rise.** Today, in 2024, a majority (54%) of the total Medicare-eligible population is enrolled in a MA plan (or ~32.8M Americans). Also, the MA space continues to be highly concentrated with ~47% of all MA enrollees in a plan either through UnitedHealthcare or Humana.



Sub-Sector Spotlight: Behavioral Health

The Biden administration is attempting to push for greater compliance with “behavioral health parity” regulations. Compliance with existing “parity” regulations has been spotty, at best, and stronger enforcement of these regulations should help improve access to care. However, in our view, the risk is that this effort could backfire with employers/plans simply opting not to cover behavioral health altogether, which could exacerbate access issues for patients seeking care.

On September 9, 2024, the Biden administration (via the U.S. Departments of Health and Human Services, Labor and Treasury) released final regulations that clarify and expand “behavioral health parity” standards for health plans under the *Mental Health Parity and Addiction Equity Act (MHPAEA) of 2008*. Specifically, the final rule focuses on defining “parity” for non-quantitative treatment limitations (NQTLs) such as provider networks, payments to out-of-network providers, the use of prior authorizations, and other utilization management techniques. Also, the final rule expands the application of MHPAEA compliance to non-federal (state and local) government health plans, which is expected to add upwards of 200 plans under the regulations.

Compliance with the MHPAEA and the subsequent/associated *Consolidated Appropriations Act of 2021 (the CAA)* has been proven to be burdensome and not well understood by employers and health plans, particularly with respect to documentation requirements for NQTLs. Recent reports to Congress (both in January 2022 and July 2023) highlighted very little compliance nationally. Also, an April 2024 study by the Research Triangle Institute showed that patients were 3.5x more likely to go out-of-network for a mental health or substance use disorder visit than for a medical/surgical treatment -- suggesting inappropriately inferior behavioral health and SUD provider networks.

Faced with new regulations, the risk is that employers and health plans may simply choose to not cover behavioral health altogether or meaningfully increase premiums. Note, the MHPAEA does not require that employers cover behavioral health and SUD treatments; rather, the legislation states that if an employer does cover behavioral health and SUD treatments, the employer must cover it equally to medical and surgical care.

Final Rules under the Mental Health Parity and Addiction Equity Act (MHPAEA) Fact Sheet

On September 9, 2024, the U.S. Departments of Health and Human Services (HHS), Labor, and the Treasury (collectively, the Departments) released new final rules implementing MHPAEA. The final rules amend certain provisions of the existing MHPAEA regulations and add new regulations to set forth content requirements and timeframes for responding to requests for nonquantitative treatment limitation (NQTL) comparative analyses required under MHPAEA, as amended by the Consolidated Appropriations Act, 2021 (CAA, 2021). The final rules reflect and address the thousands of comments received from the public during the comment period on the proposed rules that were published on August 3, 2023. The Departments appreciate the feedback and insight received through this process on this critically important issue.

The United States of America continues to experience a mental health and substance use disorder crisis. In the almost 16 years since the enactment of MHPAEA, disparities in coverage between mental health and substance use disorder (MH/SUD) benefits and medical/surgical (M/S) benefits have persisted and grown. These final rules aim to further MHPAEA’s fundamental purpose – to ensure that individuals in group health plans or group or individual health insurance coverage who seek treatment for covered MH conditions or SUDs do not face greater burdens on access to benefits for those conditions or disorders than they would face when seeking coverage for the treatment of a medical condition or a surgical procedure. These final rules are critical to addressing barriers to access to MH/SUD benefits.

Among other things, these final rules:

- Make clear that MHPAEA protects plan participants, beneficiaries, and enrollees from facing greater restrictions on access to MH/SUD benefits as compared to M/S benefits.
- Reinforce that health plans and issuers cannot use NQTLs that are more restrictive than the predominant NQTLs applied to substantially all M/S benefits in the same classification. Examples of NQTLs include prior authorization requirements and other medical management techniques, standards related to network composition, and methodologies to determine out-of-network reimbursement rates.
- Require plans and issuers to collect and evaluate data and take reasonable action, as necessary, to address material differences in access to MH/SUD benefits as compared to M/S benefits that result from application of NQTLs, where the relevant data suggest that the NQTL contributes to material differences in access.
- Codify the requirement in MHPAEA, as amended by the Consolidated Appropriations Act, 2021, that health plans and issuers conduct comparative analyses to measure the impact of NQTLs. This includes evaluating standards related to network composition, out-of-network reimbursement rates, and medical management and prior authorization NQTLs.
- Prohibit plans and issuers from using discriminatory information, evidence, sources, or standards that systematically disfavor or are specifically designed to disfavor access to MH/SUD benefits as compared to medical/surgical benefits when designing NQTLs.



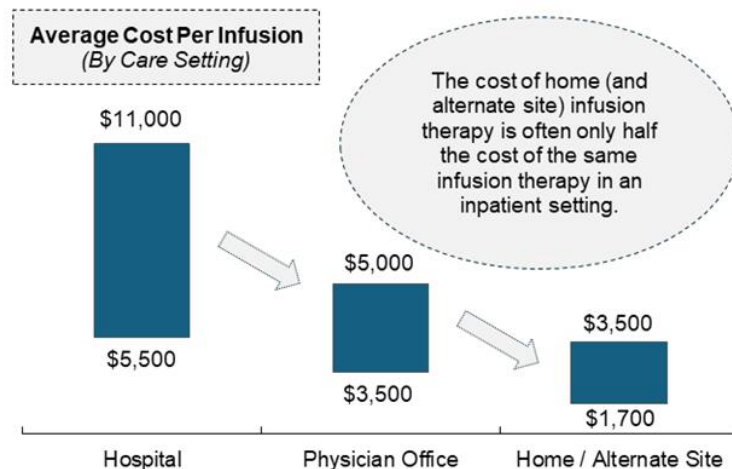
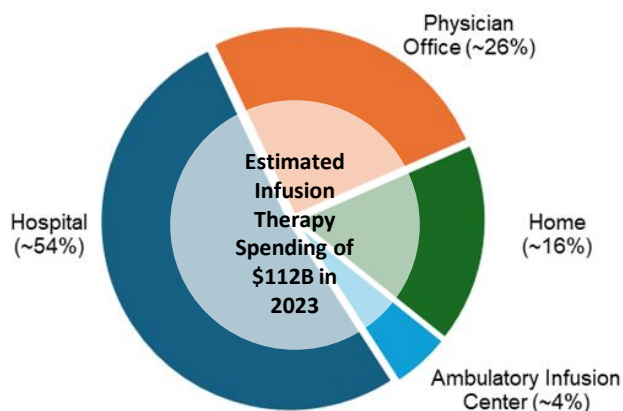
Sub-Sector Spotlight: Home and Alternate Site Infusion

We view home and alternate site infusion therapy as one of the most attractive verticals in healthcare services today based on primary and secondary research that we have completed in recent months. Refer to our “deep dive” marketplace report titled “*Perspectives and Research on the Infusion Industry*” (August 7, 2024) for full discussion.

The home and alternate site infusion therapy space should be able to sustainably generate superior growth -- versus the broader healthcare services space. In fact, many home and alternate site providers we have spoken with are generating double digit organic revenue growth along with synergies from acquisitions. We see this growth being sustainably driven by patient preferences and the cost advantages of using home-based infusion therapy (for managed care and at-risk provider organizations).

Unlike other healthcare services verticals, **the home and alternate site infusion therapy space has the unique benefit of therapeutic innovation.** Much of the drug development pipeline today consists of complex molecules that require intravenous delivery by a healthcare professional. As such, we expect a growing volume of drugs for infusion providers to service. We are particularly watchful for therapeutic innovation in neurological diseases such as Alzheimer’s Disease, Parkinson’s Disease, and multiple sclerosis.

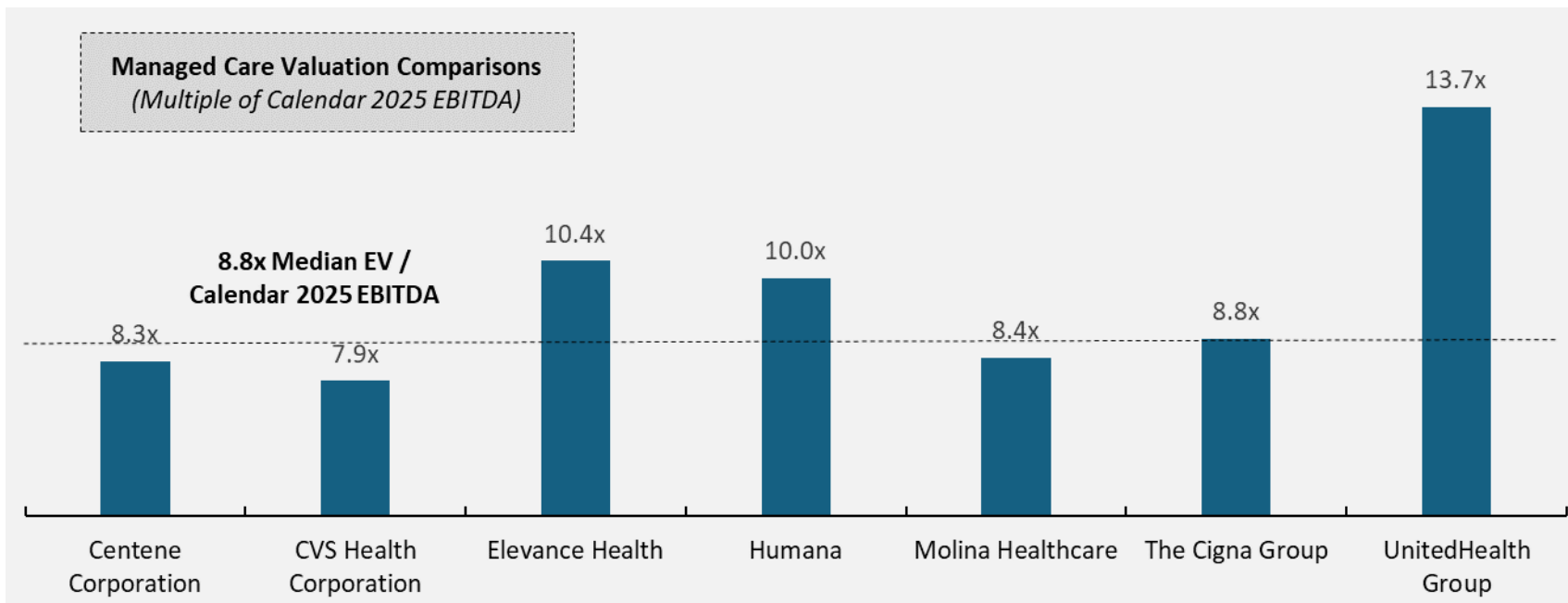
Economies of scale are key in the infusion space. In our view, profitability and valuation in the home and alternate site infusion therapy space is a direct function of a provider’s “size” as measured across THREE (3) interrelated dimensions -- 1) economies of scale, 2) breadth of therapeutic offerings, and 3) geographic coverage. In our view, this has been confirmed by take-out valuations in recent months -- e.g., BioMatrix (15x EBITDA), Paragon Healthcare (20x EBITDA), and KabaFusion (20x EBITDA).



Selected Healthcare Services Transactions

Date	Target	Acquirer	Commentary	Tags	Deal Values
Jul-2024	Infusion ASSOCIATES	VIVO infusion	Home infusion services and 80 ambulatory infusion centers in Michigan, Minnesota, Ohio and Wisconsin	Infusion Therapy	\$215M
Jun-2024	BIOMATRIX	FRAZIER HEALTHCARE PARTNERS	Independent specialty infusion pharmacy	Infusion Therapy	\$450M
Jun-2024	radiology partners	evolutionary ventures	Tech-enabled radiology practice serving 3,300+ hospitals and other healthcare facilities	Imaging	\$773M
Jun-2024	health commerce	H. I. G. CAPITAL	Retailer of consumer health and wellness products focused on simplifying the tax-free healthcare market	Consumer	Undisclosed
Jun-2024	CARAVEL AUTISM HEALTH	GTCR	Pediatric therapy services to treat autism and/or other similar developmental disorders	Behavioral Health	Undisclosed
Jun-2024	behavioral INNOVATIONS	TENEX CAPITAL MANAGEMENT	Behavioral, speech, and occupational therapy services to children with autism and developmental disabilities	Behavioral Health	Undisclosed
May-2024	SPECTRUM BEHAVIORAL THERAPIES	OPTIMAL INVESTMENT GROUP	Treatments for autism and other disorders, including speech and occupational therapy to autistic children	Behavioral Health	Undisclosed
Apr-2024	COTIVITI	KKR	Risk assessment and decision analytics services for payers, providers and employers	Healthcare IT	\$11,200M
Apr-2024	Lucent home Health	GAUGE CAPITAL	Disease management, maternity care, concierge care, precertification management, and claim administration	Managed Care	Undisclosed
Apr-2024	harmonycares	McKesson Ventures	In-home primary care services for people with complex healthcare needs across 15 states	Homecare	\$200M

Trading Valuations: Managed Care and HMOs

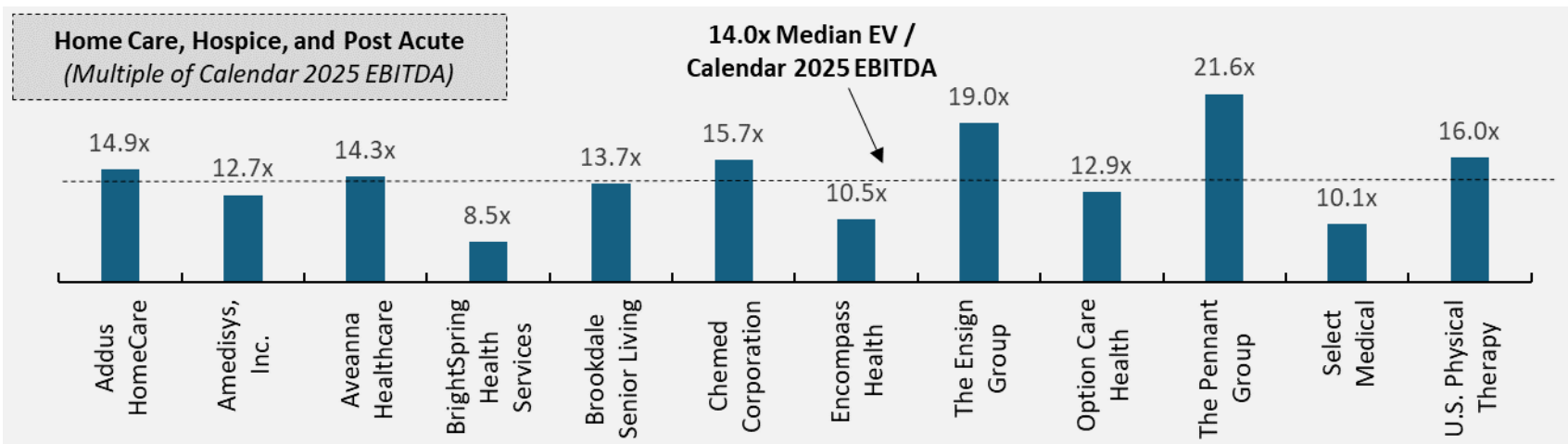


Company Name	Ticker	Equity Value	Net Debt / Enterprise (Net Cash)	Enterprise Value	Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Managed Care (7)										
Centene Corporation	CNC	\$39,310	\$23	\$39,333	\$160,155	2.5%	\$4,750	8.5%	8.3x	0.0x
CVS Health Corporation	CVS	73,151	67,560	140,711	386,069	4.6%	17,903	7.7%	7.9x	3.8x
Elevance Health, Inc.	ELV	127,076	23,889	150,965	183,797	6.6%	14,502	9.9%	10.4x	1.6x
Humana Inc.	HUM	38,765	7,769	46,534	116,231	0.1%	4,632	16.8%	10.0x	1.7x
Molina Healthcare, Inc.	MOH	20,677	(1,970)	18,707	42,750	7.3%	2,240	11.7%	8.4x	-0.9x
The Cigna Group	CI	101,935	25,817	127,752	246,914	3.7%	14,575	6.3%	8.8x	1.8x
UnitedHealth Group Incorporated	UNH	547,956	48,812	596,768	430,641	7.8%	43,612	12.7%	13.7x	1.1x
Average (Mean)						4.7%		10.5%	9.6x	1.3x
Average (Median)						4.6%		9.9%	8.8x	1.6x

Note: Market values as of the close of business September 12, 2024.

Source: S&P Global Market Intelligence

Trading Valuations: Home Care, Hospice and Post-Acute Care

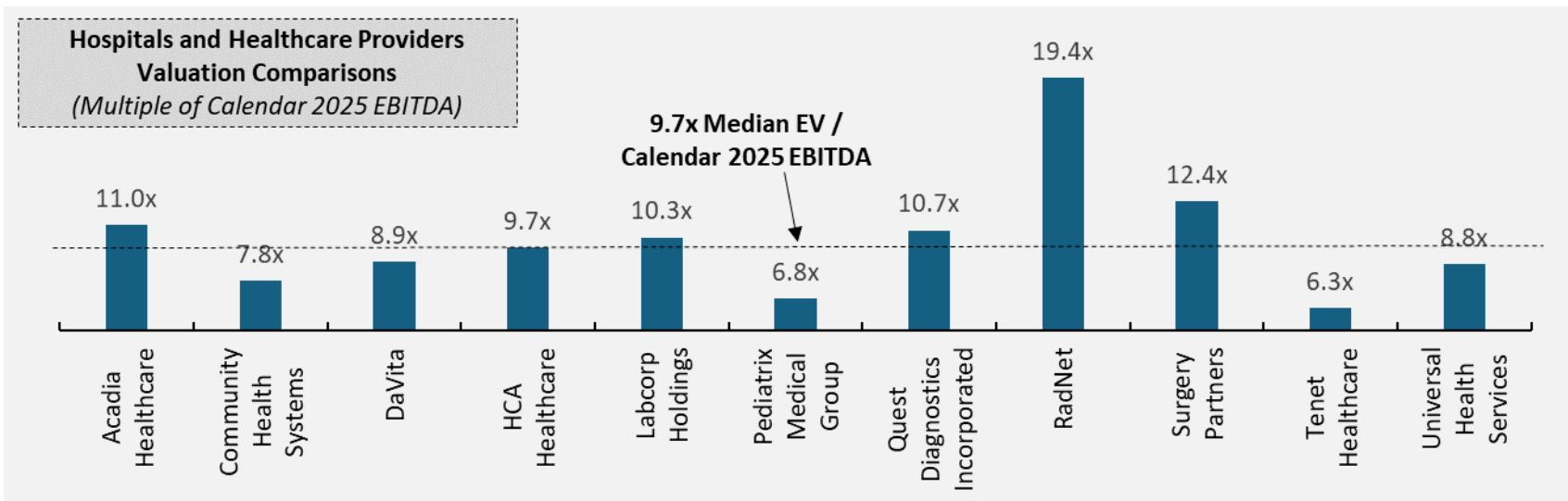


Company Name	Ticker	Equity Value	Net Debt / Enterprise (Net Cash)	Enterprise Value	Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Home Care, Hospice, and Post Acute (11)										
AdaptHealth Corp.	AHCO	\$1,422	\$2,154	\$3,576	\$3,446	5.2%	\$720	6.4%	5.0x	3.0x
Addus HomeCare	ADUS	\$2,323	(\$124)	\$2,199	\$1,223	6.3%	\$147	7.5%	14.9x	-0.8x
Amedisys, Inc.	AMED	3,170	325	3,495	2,515	6.9%	276	7.1%	12.7x	1.2x
Aveanna Healthcare	AVAH	1,024	1,457	2,481	2,095	5.1%	174	7.8%	14.3x	8.4x
BrightSpring Health Services	BTSG	2,416	2,887	5,303	11,715	8.3%	621	7.7%	8.5x	4.6x
Brookdale Senior Living	BKD	1,318	4,365	5,684	3,280	4.8%	416	8.2%	13.7x	10.5x
Chemed Corporation	CHE	8,588	(77)	8,512	2,630	7.7%	541	5.8%	15.7x	-0.1x
Encompass Health	EHC	9,375	2,791	12,166	5,785	8.8%	1,160	8.5%	10.5x	2.4x
The Ensign Group	ENSG	8,643	1,456	10,099	4,630	9.9%	531	11.2%	19.0x	2.7x
Option Care Health	OPCH	5,543	838	6,381	5,255	9.0%	495	11.4%	12.9x	1.7x
The Pennant Group	PNTG	1,027	349	1,377	760	13.9%	64	23.8%	21.6x	5.5x
Select Medical	SEM	4,559	4,870	9,428	7,331	4.3%	933	7.0%	10.1x	5.2x
U.S. Physical Therapy	USPH	1,271	143	1,414	691	5.3%	89	7.6%	16.0x	1.6x
Average (Mean)						8.1%		9.9%	14.4x	4.1x
Average (Median)						8.0%		8.0%	14.0x	2.7x

Note: Market values as of the close of business September 12, 2024.

Source: S&P Global Market Intelligence

Trading Valuations: Hospitals and Healthcare Providers

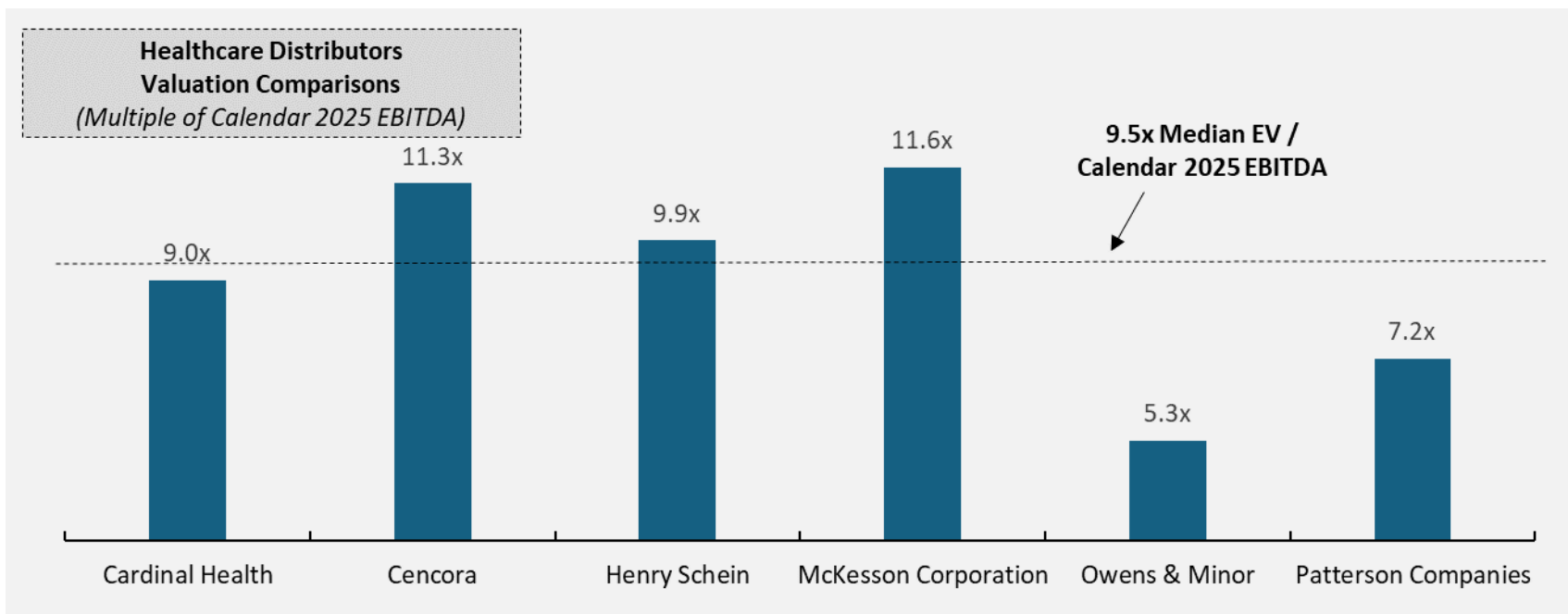


Company Name	Ticker	Equity Value	Net Debt / Enterprise (Net Cash)	Enterprise Value	Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Hospitals and Healthcare Providers (12)										
Acadia Healthcare	ACHC	\$7,204	\$1,897	\$9,100	\$3,533	10.2%	\$826	10.4%	11.0x	2.3x
Community Health Systems	CYH	748	12,148	12,896	13,124	4.2%	1,652	6.0%	7.8x	7.4x
DaVita	DVA	13,612	11,239	24,850	13,263	4.1%	2,787	4.5%	8.9x	4.0x
HCA Healthcare	HCA	101,745	41,856	143,601	74,777	5.6%	14,791	5.3%	9.7x	2.8x
Labcorp Holdings	LH	18,678	5,790	24,468	13,706	5.7%	2,379	7.4%	10.3x	2.4x
Pediatrix Medical Group	MD	926	565	1,491	1,982	-0.8%	219	6.1%	6.8x	2.6x
Quest Diagnostics Incorporated	DGX	17,273	4,817	22,090	10,142	5.7%	2,062	7.6%	10.7x	2.3x
RadNet	RDNT	4,972	977	5,949	1,926	8.3%	307	10.9%	19.4x	3.2x
Surgery Partners	SGRY	3,865	3,189	7,055	3,373	9.3%	571	12.0%	12.4x	5.6x
Tenet Healthcare	THC	15,466	9,991	25,457	21,696	4.1%	4,056	3.7%	6.3x	2.5x
Universal Health Services	UHS	15,532	4,867	20,399	16,591	5.7%	2,326	6.4%	8.8x	2.1x
Average (Mean)						5.6%		7.3%	10.2x	3.5x
Average (Median)						5.7%		6.4%	9.7x	2.7x

Note: Market values as of the close of business September 12, 2024.

Source: S&P Global Market Intelligence

Trading Valuations: Distributors



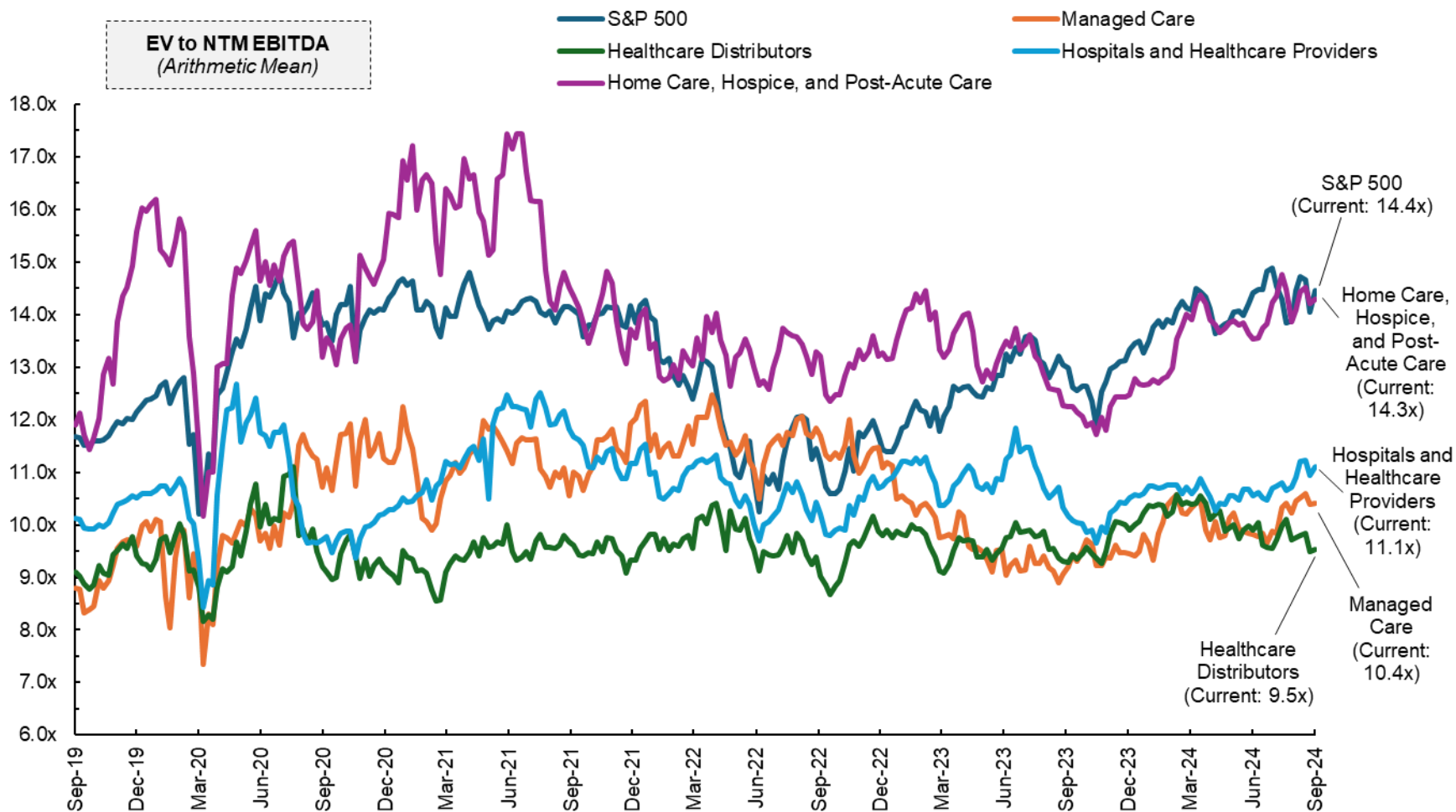
Company Name	Ticker	Equity Value	Net Debt / Enterprise (Net Cash) Value		Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Healthcare Distributors (6)										
Cardinal Health	CAH	\$27,583	\$370	\$27,953	\$228,714	4.3%	\$3,097	9.5%	9.0x	0.1x
Cencora	COR	46,820	2,825	49,645	317,553	6.7%	4,405	6.4%	11.3x	0.6x
Henry Schein	HSIC	8,871	2,700	11,571	13,526	4.5%	1,163	8.5%	9.9x	2.3x
McKesson Corporation	MCK	66,969	5,134	72,103	374,670	10.7%	6,193	8.8%	11.6x	0.8x
Owens & Minor	OMI	1,169	2,137	3,306	11,145	4.1%	622	10.6%	5.3x	3.4x
Patterson Companies	PDCO	1,908	761	2,669	6,821	3.9%	370	5.8%	7.2x	2.1x
Average (Mean)						5.7%		8.3%	9.1x	1.6x
Average (Median)						4.4%		8.6%	9.5x	1.4x

Note: Market values as of the close of business September 12, 2024.

Source: S&P Global Market Intelligence



Bourne Healthcare Services Indices (By Sub-Segment)



Note: Market values as of the close of business September 12, 2024. See pages 9-12 for components of the above indices.
Source: S&P Global Market Intelligence

Section Two

Bourne Partners

i. Thought Leadership

ii. Bourne Partners Overview

iii. Investment Bank Overview



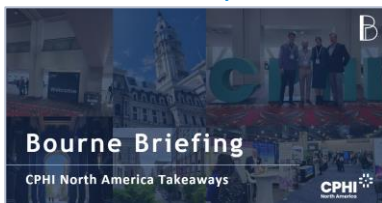
Thought Leadership

Bourne Perspective

After 20+ years of exclusive industry and capital markets coverage, we know the space and we are committed to providing actionable insights to our clients. We provide cutting-edge thought leadership on all things Healthcare Services, Pharma, Pharma Services, and Consumer Health.

Through leveraging resources and insights of both Bourne Partners Strategic Capital and Investment Banking divisions, **we provide differentiated perspectives to our clients from our unique vantage point.** Our goal is to deliver heavy-hitting, timely reports in an easy-to-read format tailored specifically for executives within our industry coverage.

Conference Commentary



Industry Update Posts



Weekly Newsletter

Week of May 28, 2024 | Vol. 13, Issue 22

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 Upcoming Events
 Industry Activity
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 M&A Pipeline
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 Recent Transactions

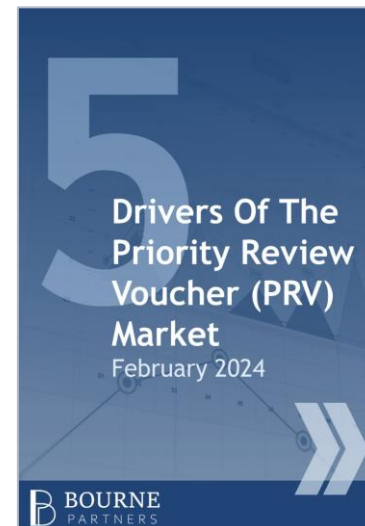
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Market Updates



Market Reports



Sector Updates



Bourne Partners Overview

Our Service Offering

For over twenty years, Bourne Partners has focused exclusively on providing investment banking advisory services and making direct investments in the Healthcare Services, Pharmaceutical, Pharma Services, Pharmacy Services, and Consumer Health and Wellness industries. Since 2015, we have successfully executed on **over \$10B** in transactions, having worked with many leading companies and private equity investors in these core focus areas.

Investment Banking

Mergers and Acquisitions

Sell-side and buy-side assignments
Transaction Experience: \$10M - \$3.5B

Capital Sourcing

Debt / Equity / Hybrid
\$10 - \$500 million raises

Business Development Support

Development stage and approved products
Local and international

Strategic Capital

Investment Focus

Direct investments in private companies
Selective approach in vital focus areas

Other Criteria

Cash flow positive opportunities
Complex situations with creative structures
Actionable growth stage or middle market business
Flexible investment targets with established private equity relationships

Geographic Coverage



Sector Expertise

Pharmaceuticals

Pharma Services

Pharmacy Services

Consumer Healthcare

Investment Banking Overview

Bourne Partners Investment Banking provides investment banking services within the healthcare and Pharmaceutical sector for external clients as well as our portfolio companies.

Value Beyond the Deal

Total Perspective

Experience advising, investing in, building, operating, buying, and selling companies
 Unmatched 360° perspective for every project

Uncompromised Service

Direct involvement of senior management throughout process
 High level of attention regardless of transaction value

Global Reach

Experience working with companies around the globe
 Extensive network of potential international buyers

Focus Areas



Select Recent Tombstones

 has been acquired by 	 has sold its consumer CDMO operations to 	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been recapitalized by
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Partners, Sponsors, and Lenders



Recent Clients & Counterparties





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