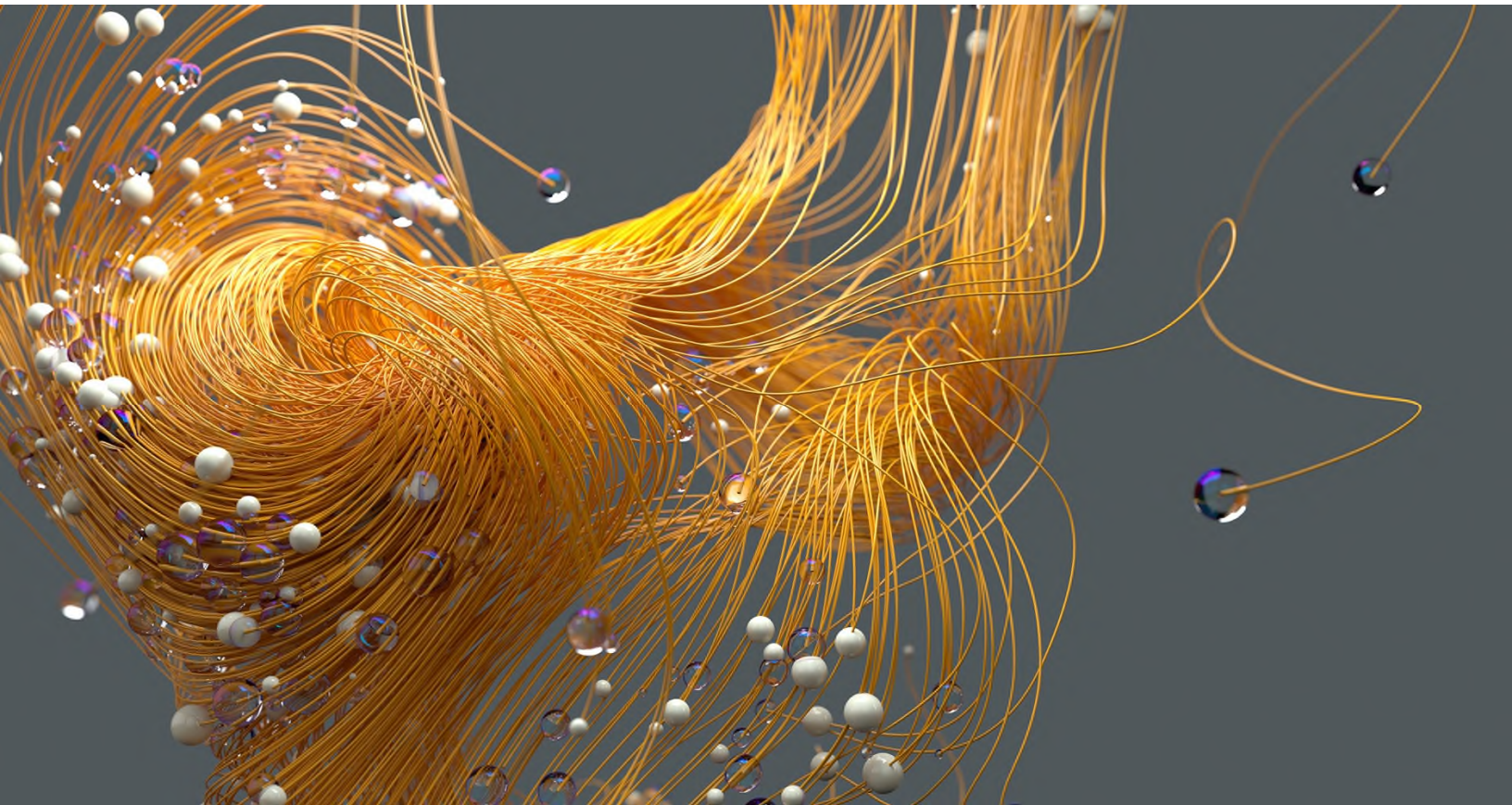


April 7, 2021

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**



**This week's banker commentary:**

**The Bank Financing Market Has Returned With a Vengeance!**

# Industry Insights

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## The Bank Financing Market Has Returned With a Vengeance!

*Banker Commentary by Matthew Goldreich*

The Covid Pandemic, now with us for over a year, has impacted the United States and World economies in many ways, almost all of them with negative ramifications. Both the supply and demand sides of the economy were disrupted: demand resulting from the lockdowns that curtailed the activities of many businesses combined individual fears of contracting the virus in public settings and supply resulting from those same lockdowns where business curtailed operations to adjust to the reduced demand. All of this we very well know and have personally experienced. But what does this have to do with healthcare providers and the bank financing market of healthcare capital needs?

As healthcare providers addressed the Covid Pandemic most non-essential activities were moth-balled for a significant period of time, including capital projects, strategic planning and partnership considerations. As such, the need for new capital declined during the second quarter and well into the third quarter of 2020. On the flip side, commercial banks tightened lending criteria to ensure that loans were only offered to strong credits, meaning those entities that would clearly survive the Pandemic and be able to re-pay the loans. Thus, the low supply/demand dynamic in the general economy trickled down into the bank lending market related to healthcare providers.

In late 2020 and as we entered 2021, I began to hear rumors that the larger commercial banks were flush with cash and aggressively looking for opportunities to lend that cash to borrowers with attractive credit positions. In January I had the opportunity to put this theory to the test on behalf of a highly rated (strong A category) healthcare insurance provider. This provider was seeking to remarket over \$175 million of bank-held taxable bonds that had a currently attractive credit spread (mid-50s) but had been told last fall by its lender that the credit spread would increase significantly upon renewal. Based upon that news, the provider engaged Cain Brothers to conduct an RFP process for both a replacement loan and the transfer of a select set of treasury/cash management services. The RFP process would ensure that the provider received the best pricing and terms available in the market at the present time.

In short, the results were astounding and outstanding. Back in 2012, Cain Brothers was engaged by the provider to solicit proposals from commercial banks to convert the bonds into a bank direct purchase interest rate mode. We solicited proposals from eight banks and received just two proposals for the entire loan amount. This time 'round, the RFP was issued in mid-January to 12 banks, initial proposals were received in mid-February from nine banks, eight of which were for the full loan amount, and negotiations with finalists were just recently completed. This was a far greater number of full loan amount proposals than we received back in 2012 and

## Industry Insights continued...

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that we expected to receive now. Furthermore, the range of banks proposing now greatly expanded from just major national money center banks back in 2012 to now also include smaller regional banks and local banks.

While I cannot disclose the specifics of what banks submitted proposals and what loan credit spreads they offered, I can share the overall results. The initial credit spreads, in basis points over One-Month LIBOR, proposed were, ranked lowest to highest: 49, 55, 55, 62.5, 65, 65, 67.5, 80, 127.5. Subsequent due diligence and negotiations with seven semi-finalists and two finalists resulted in final credit spread proposals ranging from 39 bps to 55 basis points, with most in the low to mid-40s. The majority of these final credit spread offers were significantly below the existing credit spread, an outcome completely unexpected by our client and that will save the provider several million dollars of interest expense over the remaining six and one-half-year life of the loan, let alone below what the provider's expectations were heading into the RFP process.

So, what does this all mean? This RFP process has driven home two major conclusions:

- 1) Banks are, in fact, flush with cash right now that they are looking to deploy when presented with a good opportunity; and
- 2) For a strong borrower or credit structure, loan pricing can be quite low.

During my discussion with the banks over the past two months, every one confirmed that it has excess cash that it is seeking to loan out and that almost all of the banks will be overly aggressive to accomplish that for the right borrower. This first-hand feedback has confirmed how attractive the bank financing market currently is for decent healthcare credits. If your organization has a solid financial position, mid-Baa/BBB credit quality or stronger, the bank financing option has returned as an excellent debt structure. This is especially true if you're considering funding new projects or a refinancing with taxable debt, because both the spread between taxable and tax-exempt loans is quite narrow and taxable loans have greater flexibility with the issuance process and use of proceeds.

As we slowly emerge from the darkness of the Covid Pandemic, I am thrilled to share with you this very positive news about one specific, attractive financing option, among many out there, with the hope that this will encourage everyone to consider new money and refinancing options, while the capital markets remain favorable to borrowers.

I hope that you all are safe and healthy, and encourage you to get vaccinated, when it is available to you. I received my first dose last week and was thankful for the opportunity to do so.

# Healthcare M&A Activity

## Recent Selected Healthcare M&A Transactions (\$MM)

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
4/1/2021	Curtis Bay (Summer Street)	Aurora Capital Partners	NA	NA	NA	Medical waste collection, treatment and disposal services
4/1/2021	Dental Services Group	Dental Services Group (Cerberus Capital Management)	NA	NA	NA	Network of dental laboratories
4/1/2021	Senior Helpers (Altaris Capital Partners)	Advocate Aurora Enterprises (Advocate Aurora Health)	NA	NA	NA	320 franchised and corporate-owned locations in 44 states, Canada and Australia that provide home care and wellness services to seniors
4/1/2021	Q2 Solutions (Quest Diagnostics' 40% minority stake)	IQVIA (NYSE: IQV)	\$1,900	NA	NA	Clinical laboratory services organization that provides comprehensive testing, project management, supply chain, biorepository, biospecimen and consent tracking solutions for clinical trials
3/31/2021	Custom Veterinary Services	Align Capital Partners	NA	NA	NA	Custom formulator and contract manufacturer exclusively focused on the animal health industry
3/30/2021	Bioness	Bioventus (Nasdaq: BVS)	\$110	2.8x	NM	Neuromodulation and rehabilitation medical devices
3/29/2021	Empower Community Care	Northlane Capital Partners	NA	NA	NA	Behavioral health organization responsible for distributing evidence-based programs and technologies
3/29/2021	SomaLogic	CM Life Sciences II (Nasdaq: CMIIU)	\$1,230	22.4x	NA	Comprehensive proteomics technology platform
3/25/2021	eMolecules	Avista Capital Partners	NA	NA	NA	E-procurement platform for high-value chemicals and bioreagent
3/24/2021	myNEXUS	Anthem (NYSE: ATNM)	NA	NA	NA	Comprehensive home-based nursing management company for payors
3/24/2021	PWNHealth and Home Access Health	Everlywell	NA	NA	NA	PWN Health: National clinician network for early detection and prevention of disease using advanced diagnostics and telehealth Home Access: self-collected lab tests
3/23/2021	PatientPing	Appriss Health (Clearlake Capital Group and Insight Partners)	~\$500	NA	NA	Post-acute care software provider
3/23/2021	Revelation Pharma	Osceola Capital	NA	NA	NA	National partnership of 503A compounding pharmacies
3/17/2021	himagine Solutions (BPOC)	Omega Healthcare Management (Goldman Sachs Merchant Banking and Everstone Group)	NA	NA	NA	himagine is a BPOC backed healthcare
3/17/2021	M2GEN	Clayton, Dubilier & Rice Merck Global Health Innovation Fund, McKesson Ventures	NA	NA	NA	Oncology data and informatics platform
3/16/2021	Cherry Tree Dental	ICV Partners	NA	NA	NA	General dentistry provider in Wisconsin
3/16/2021	Cumberland	Tegria	NA	NA	NA	Healthcare consulting and services firm for payers and providers
3/16/2021	EBS Healthcare	The Stepping Stones (Five Arrows Capital Partners)	NA	NA	NA	Therapeutic and behavioral company
3/16/2021	Grand Rounds	Doctor On Demand	Merger	NA	NA	Full suite of digital and interactive healthcare solutions
3/15/2021	Advent Home Medical	New Harbor Capital	NA	NA	NA	At-home respiratory care company providing services and medical equipment
3/15/2021	Cordis (Cardinal Health)	Hellman & Friedman	\$1,000	1.3x	NA	Minimally-invasive cardiovascular technology
3/15/2021	HealthPRO Heritage (BPOC and SV Health Investors)	Wellspring Capital Management	NA	NA	NA	Provider of therapy management and consulting services to nursing homes and long-term care facilities
3/15/2021	ProtoQuick and Peridot	Seisa Medical	NA	NA	NA	Contract manufacturing and components



# Healthcare Equity Private Placements Activity

## Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
4/1/2021	Friday Health Plans	Vestar	Equity	\$100	Affordable health plans serving more than 70,000 members in Colorado, New Mexico Nevada and Texas
4/1/2021	Friday Health Plans	Leadenhall Capital Partners	Debt	\$60	Affordable health plans serving more than 70,000 members in Colorado, New Mexico Nevada and Texas
3/31/2021	CirrusMD	Blue Venture Fund (lead), 7wireVentures, Drive Capital and Colorado Impact Fund	Series C	\$20	Provider of on-demand virtual care services
3/30/2021	BrightInsight	General Catalyst (lead), Insight Partners, New Leaf Venture Partners and Eclipse Ventures	Series C	\$101	Provider of the global regulated digital health platform for biopharma and medtech
3/30/2021	Rightway	Khosla Ventures (lead), Thrive Capital, Tiger Global Management, and other existing investor	Series C (\$1.1B Valuation)	\$100	Care navigation and pharmacy benefits solutions
3/29/2021	Cityblock Health	Tiger Global (lead), Kinnevik AB, Maverick Ventures, General Catalyst, Wellington Management, Thrive Capital, Redpoint Ventures, Echo Health Ventures, 8VC, and AIMS	Series C Extension	\$192	Healthcare provider for Medicaid and lower-income Medicare beneficiaries
3/29/2021	Crossover Health	Deerfield Management (lead), Perceptive Advisors, OrbiMed Advisors, Foresite Capital, Avidity Partners, SharesPost100 Fund, Irving Investors, and PFM Health Sciences	Series D	\$168	Relationship-based, tech-enabled, national healthcare organization that integrates both virtual and in-person care
3/24/2021	Ginger	Blackstone Growth (lead), Kaiser Permanente Ventures, Cigna Ventures, Bessemer Venture Partners, Advance Ventures Partners, Khosla Ventures and others	Series E	\$100	On-demand mental health company
3/23/2021	AKASA (fka Alpha Health)	BOND (lead), Andreessen Horowitz, and Costanoa Ventures	Series B	\$60	Unified automation company for revenue cycle management in healthcare
3/23/2021	Ro	General Catalyst, FirstMark Capital and TQ Ventures (co-leads), SignalFire, Torch Capital, BoxGroup, Altimeter Capital, Baupost Group, Dragoneer Investment Group, and others	Series D	\$500	Vertically integrated primary care platform
3/22/2021	Evidation Health	OMERS Growth Equity and Kaiser Permanente Group Trust (co-leads), McKesson Ventures, B Capital Group	Series E	\$153	Digital health network
3/17/2021	Millennia Patient Services	Pamlico Capital and Eir Partners	Growth	Undisclosed	Patient payment and end-to-end patient financial engagement technologies for hospitals, health systems and medical groups
3/16/2021	Clarify Health	Insight Partners (lead), Spark Capital, Concord Health Partners, HWVP, KKR, Rivas Capital and Sigmas Group	Series C	\$115	Enterprise analytics company delivering real-world insights to healthcare organizations
3/16/2021	BetterNight	HCAP	Series B	Undisclosed	Comprehensive virtual-care sleep health solutions
3/18/2021	Happify Health	Deerfield Management (lead), Omega Capital Partners, ION Crossover Partners, TT Capital Partners, Marketplace Funds Venture Capital, Mangrove Capital Partners and others	Series D	\$73	Global software-enabled healthcare platform to improve mental and physical health
3/16/2021	Strive Health	CapitalG (lead), NEA, Town Hall, Ascension and Echo Ventures	Series B	\$140	Value-based kidney care
3/11/2021	100Plus	Henry Kravis, George Roberts	Seed	\$25	Remote patient monitoring platform for doctors and their patients
3/11/2021	Forward Health	Founders Fund, Khosla Ventures, SoftBank Vision Fund 2, Marc Benioff, and The Weeknd	Series D	\$225	Provides members with unlimited in-person care at its technology-driven clinics
3/10/2021	Advise Health	Oak HC/FT (lead), Adams Street Partners, Hamilton Lane	Series A	\$100	Medicare concierge agency that focuses on serving seniors within their community

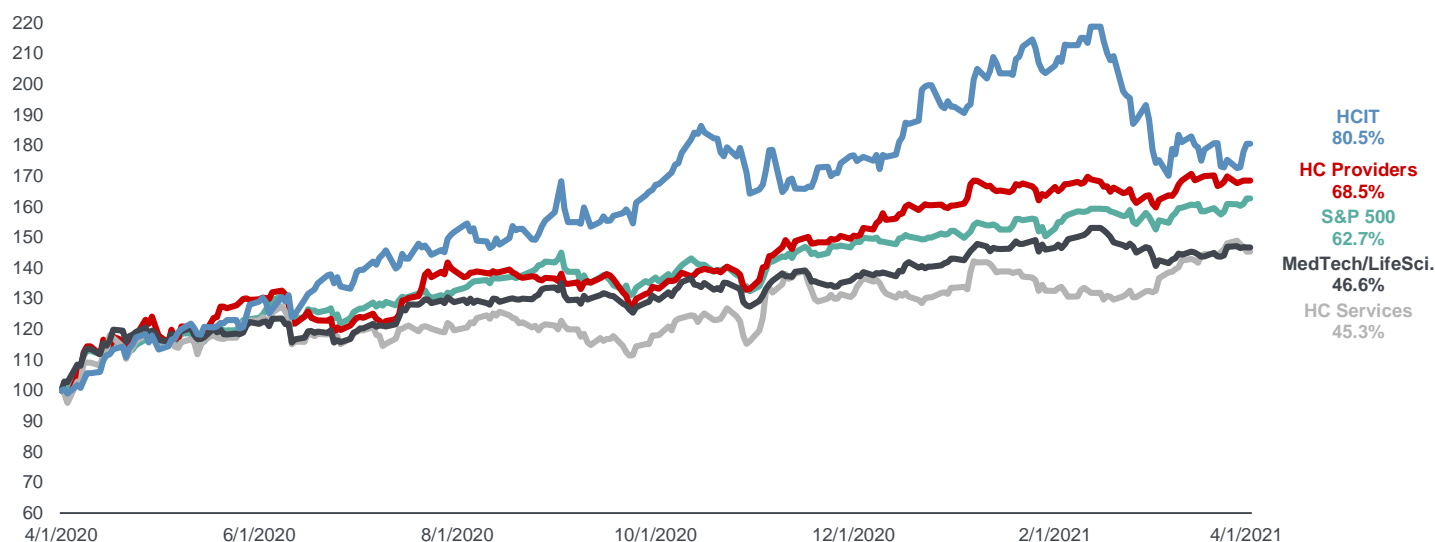
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of April 1, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	33,073	33,153	58.3%	0.2%
S&P 500	3,975	4,020	62.7%	1.1%
NASDAQ	13,139	13,480	83.1%	2.6%
Russell 2000	2,221	2,254	110.3%	1.5%
NYSE Healthcare	20,504	20,351	35.6%	(0.7%)

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	116.6%	(2.2%)
Alternate Site Services	33.7%	(1.5%)
Diagnostics	101.0%	1.2%
Distribution	42.6%	(0.8%)
Healthcare IT	80.5%	3.0%
Healthcare REITs	70.3%	0.6%
Managed Care	49.9%	(2.5%)
Medical Technology	43.6%	(0.3%)
Outsourced Services	64.0%	0.3%
Pharma Services	82.4%	1.4%
Pharmacy	27.5%	0.2%
Post-Acute Care	59.2%	(0.5%)

## Cain Brothers Core Healthcare Indices (1YR Performance)



## Recent Selected Healthcare IPOs and Follow-Ons (\$MM)

Pricing Date	Issuer (Ticker)	Offering	Deal Value	Mkt Cap. <sup>1</sup>	Offer Price	Current / Offer	Description
3/25/2021	Alignment Healthcare (ALHC)	IPO	\$39	\$3,232	\$18.00	(3.8%)	Tech-enabled Medicare Advantage company
3/3/2021	Oscar Health (OSCR)	IPO	\$1,184	\$5,089	\$39.00	(34.1%)	Technology-driven health insurance company
3/4/2021	InnovAge (INNV)	IPO	\$350	\$3,207	\$21.00	16.0%	Provider of the Program of All-inclusive Care for the Elderly (PACE)
2/11/2021	Apria (APR)	IPO	\$150	\$744	\$20.00	12.5%	Provider of integrated home healthcare equipment
2/11/2021	Bioventus (BVS)	IPO	\$104	\$649	\$13.00	13.5%	Joint pain and preservation medtech company
2/11/2021	Signify Health (SGFY)	IPO	\$564	\$6,036	\$24.00	12.5%	Value-based care platform
2/10/2021	OptimizeRx (OPRX)	Follow On	\$66	\$959	\$49.50	(4.0%)	Provider of digital health solutions for life science companies, physicians & patients
2/5/2021	Lucira Health (LHDX)	IPO	\$153	\$933	\$17.00	(27.9%)	Single-use test kits for COVID-19

# Tax-Exempt Debt Markets

## Tax-Exempt Debt Information as of April 2, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	2.13%	2.14%	3.04%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.88%	1.89%	2.69%
SIFMA (Variable Rate Demand Notes)	0.07%	0.05%	4.71%
Revenue Bond Index	2.70%	2.71%	2.77%
SIFMA/ 1Month LIBOR	63.64%	45.45%	501.06%
RBI/30 Yr Treasury (%)	114.89%	114.35%	214.73%
30-Yr Floating to Fixed Sway (81% LIBOR)	1.78%	1.70%	0.61%

## Tax-Exempt Healthcare Issuance Information<sup>1</sup> (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
University of Arkansas for Medical Sciences	\$95.295	AR	Aa2 / NR / NR	2045	2031 (C)	5.00%	1.99%	3.35%	1.73%
University of Arkansas for Medical Sciences (Taxable)	\$41.845	AR	Aa2 / NR / NR	2041	2031 (C)	3.10%	3.10%	N/A	2.41%
Saint Francis Healthcare System (Forward Delivery)	\$86.705	MO	NR / A+ / AA	2043	2032 (C)	4.00%	2.69%	3.24%	1.73%
Advocate Aurora Health (Remarketing)	\$40.885	WI	Aa3 / AA / AA	2054	2026 (P)	5.00%	0.71%	N/A	1.73%
<b>Total</b>	<b>\$264.730</b>								

\*Key: NC = No Call, MWC = Make Whole Call, (C) = Par Call, (P) = 1st Put, (R) = Reprice Date

1. Bloomberg, Capital IQ

## What's On Deck: Tax-Exempt Healthcare Issuances<sup>1</sup> (\$MM)

Issuer	Date	Amount	Rating
Novant Health Inc. Taxable Bonds (Novant Health Obligated Group) Series 2021A	4/8/2021	\$1,500.000	Aa3 / AA- / AA-
California Health Facilities Financing Authority Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2022 Series A (Forward Delivery)	4/8/2021	\$217.070	A1 / A+ / AA-

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

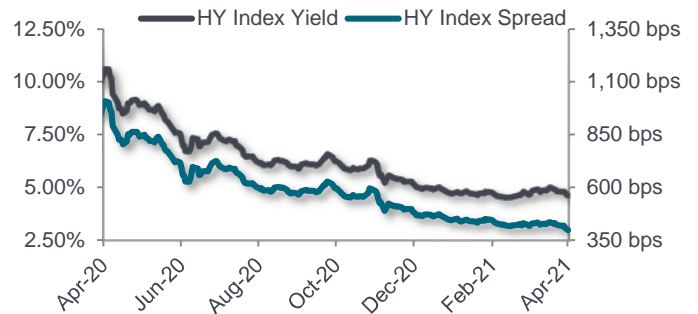
### High Yield

- Last week saw a \$809 million inflow, marking the fourth inflow YTD; net outflows total \$10.0 billion YTD, which follows \$44.9 billion of net inflows in 2020

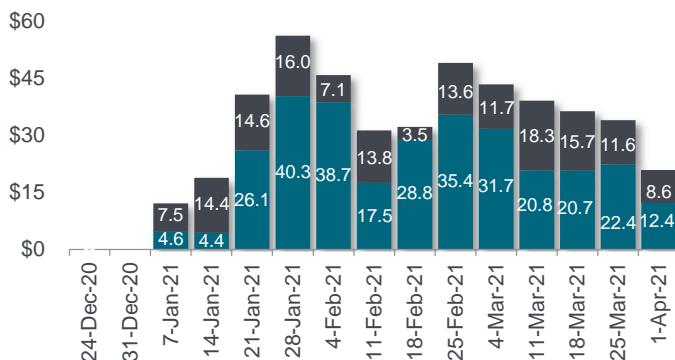
### Leveraged Loans

- Leveraged loan funds saw a \$562 million inflow last week, marking the 12th consecutive inflow of 2021; net inflows total \$9.9 billion YTD, which follows \$27.0 billion of net outflows in 2020
- The leveraged loan primary market saw 13 deals price last week for \$12.4 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



## New-Issue Clearing Yields<sup>1</sup> (\$MM)

	4Q20	1Q21	30-Day Rolling Average		
			February 2021	March 2021	04/01/21
Overall	5.32%	4.40%	4.34%	4.58%	4.62%
4B	4.00%	3.00%	2.93%	3.16%	3.22%
2B	5.41%	4.63%	4.54%	4.97%	5.01%
Middle Market	6.02%	4.79%	4.29%	5.29%	5.21%

## Most Recent Healthcare High-Grade Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
3/25/2021	AmerisourceBergen	Sr Notes	\$1,525	Baa2 / A- / A-	0.737%	3/15/2023	+60	25 bps
3/25/2021	AmerisourceBergen	Sr Notes	\$1,000	Baa2 / A- / A-	2.700%	3/15/2031	+110	8 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	2.700%	3/15/2031	+110	25 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	3.750%	3/15/2051	+145	25 bps
3/16/2021	Illumina Inc	Sr Notes	\$500	Baa3 / BBB / NR	0.550%	3/23/2023	+40	20 bps

## Most Recent Healthcare High-Yield Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
3/11/2021	Endo Pharma	Sr. Sec. Notes	\$1,295	B2/B+	6.125%	4/1/2029	479 bps	6.25% area
3/8/2021	Charles River Laboratories	Sr. Notes	\$500	Ba2/BB	3.750%	3/15/2029	236 bps	3.75%-4.00%
3/8/2021	Charles River Laboratories	Sr. Notes	\$500	Ba2/BB	4.000%	3/15/2031	241 bps	4.00%-4.25%
3/3/2021	Owens & Minor	Sr. Notes	\$500	B2/BB-	4.500%	3/31/2029	324 bps	4.50%-4.75%
2/25/2021	US Acute Care	Sr. Sec. Notes	\$375	B2/B-	6.375%	3/1/2026	563 bps	6.50% area

## Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
4/1/2021	MedRisk LLC	CVC	B3/B	LBO	\$750	L+375, 0.75% @ 99	4.750%
4/1/2021	Solis Women's Health	Madison Dearborn Partners	B3/B-	Recap/General Recap	\$300	L+475, 0.75% @ 99	5.750%
3/30/2021	MyEyeDr	Goldman Sachs	B3/B-	Corp Purpose	\$125	L+425, 0.00% @ 99	4.500%
3/29/2021	American Medical Technologies	One Equity Partners	B2/B-	Merger	\$280	L+625, 0.75% @ 98	7.500%
3/26/2021	Soliant Health Inc	Olympus Partners	B2/B+	Recap/Dividend	\$320	L+425, 0.75 @ 99.25	5.188%



## Healthcare News

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### US Investors Set To Test Companies' Handling Of Coronavirus<sup>1</sup>

Financial Times | April 5, 2021

US companies are facing the largest number of demands from investors to address environmental and social concerns in four years, as shareholders press management teams over their handling of the Covid-19 pandemic. Investors have submitted 484 proposals on environmental or social issues to US companies ahead of this year's annual round of shareholder meetings, to be held in coming weeks. That compared with 446 last year, according to Institutional Shareholder Services, an investor advisory business. Shareholders in the US are able to sponsor their own concerns to put before boards. Though proposals are not binding, companies cannot easily ignore votes that get more than 30 per cent support. Companies complain that proposals are often sponsored by labour unions or gadflies, but in a sign of shifting investor sentiment, last year BlackRock, one of the world's largest fund managers, said it would consider supporting more proposals this year. "The shift from just disclosure to accountability — generally, in terms of shareholder engagement and proposals — is increasing and accelerating," said Peter Reali, a senior director at asset manager Nuveen. "Part of what is driving that acceleration is some of these Covid-related issues."

### New ACA Subsidies Go Into Effect As HHS Announces \$50M Boost To Outreach Funding<sup>2</sup>

Fierce Healthcare | April 1, 2021

Major boosts to tax subsidies are now available for consumers shopping for coverage on HealthCare.gov, and the federal government is adding \$50 million for outreach. The Department of Health and Human Services (HHS) announced the availability of the lower subsidies, which were passed as part of the American Rescue Plan Act, on Thursday. HHS also announced an additional \$50 million for outreach for the latest special enrollment period that ends Aug. 15. "The Biden administration is committed to bringing down healthcare costs for families," HHS Secretary Xavier Becerra said in a statement. "Consumers can save money by visiting HealthCare.gov and choosing a plan that works for them and their budget." The enhanced subsidies only last through the 2021 and 2022 plan years. "Many Americans on the marketplaces will see their premiums decrease, on average, by \$50 per person per month and \$85 per policy per month," HHS said in a release.

### Thirteen New Alzheimer's Genes Identified In Human Genome Study<sup>3</sup>

Science Daily | April 2, 2021

Prior known Alzheimer's genes have been associated with amyloid accumulation and neuroinflammation. A cutting-edge technique known as whole genome sequencing was used to identify new, rare gene variants associated with Alzheimer's disease. Findings could suggest new targets for drug development aimed at enhancing neuroplasticity and the stability of synapses. In the first study to use whole genome sequencing (WGS) to discover rare genomic variants associated with Alzheimer's disease (AD), researchers have identified 13 such variants (or mutations). In another novel finding, this study establishes new genetic links between AD and the function of synapses, which are the junctions that transmit information between neurons, and neuroplasticity, or the ability of neurons to reorganize the brain's neural network. These discoveries could help guide development of new therapies for this devastating neurological condition. Researchers at Massachusetts General Hospital (MGH), the Harvard T. H. Chan School of Public Health, and Beth Israel Deaconess Medical Center report these findings in *Alzheimer's & Dementia: The Journal of the Alzheimer's Association*.

## Healthcare News Continued...

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### AHA Wants HHS To Issue Waivers To 340B Hospitals<sup>1</sup>

Healthcare Finance | April 1, 2021

The American Hospital Association is asking Health and Human Services Secretary Xavier Becerra to ensure that hospitals participating in the 340B drug pricing program continue to have access to the program despite changes in their payer mix as a result of COVID-19. The AHA specifically requests a Section 1135 waiver of the Social Security Act for certain 340B program eligibility criteria for 340B hospitals enrolled during the public health emergency that may have experienced a temporary change in payer mix due to the COVID-19 pandemic. The public health emergency resulted in hospitals suspending nonurgent services and shifting resources to treat COVID-19 patients. These actions, combined with a slow resurgence of patient volumes, lowered the proportion of hospital patients paying through Medicaid or Medicare. One of the primary eligibility criteria for hospitals in the 340B program is the Medicare disproportionate share hospital patient percentage adjustment, which is based on the volume of inpatient Medicaid and Medicare Supplemental Security Income patients.

### CDC Lifts Travel Restrictions For Vaccinated Americans<sup>2</sup>

Financial Times | April 2, 2021

US health officials have given the green light for fully vaccinated Americans to resume both domestic and international travel, lifting one of Washington's toughest pandemic restrictions. In a statement on Friday, the Centers for Disease Control and Prevention (CDC) said people who had received vaccinations could travel "at low risk to themselves", based on the latest data about the effectiveness of the vaccines. "With millions of Americans getting vaccinated every day, it is important to update the public on the latest science about what fully vaccinated people can do safely, now including guidance on safe travel," said Rochelle Walensky, director of the CDC. "We continue to encourage every American to get vaccinated as soon as it's their turn, so we can begin to safely take steps back to our everyday lives," she added. The CDC said that for domestic travel, it was no longer recommending Covid-19 testing and self-quarantine, although it continued to suggest mask-wearing, social distancing and frequent handwashing. For international travel, the CDC said fully vaccinated Americans did not need to obtain a Covid-19 test "unless it is required by the international destination" or self-quarantine upon their return to the US unless their home state required it.

### 6 Steps to Reduce Caregiver Stress<sup>3</sup>

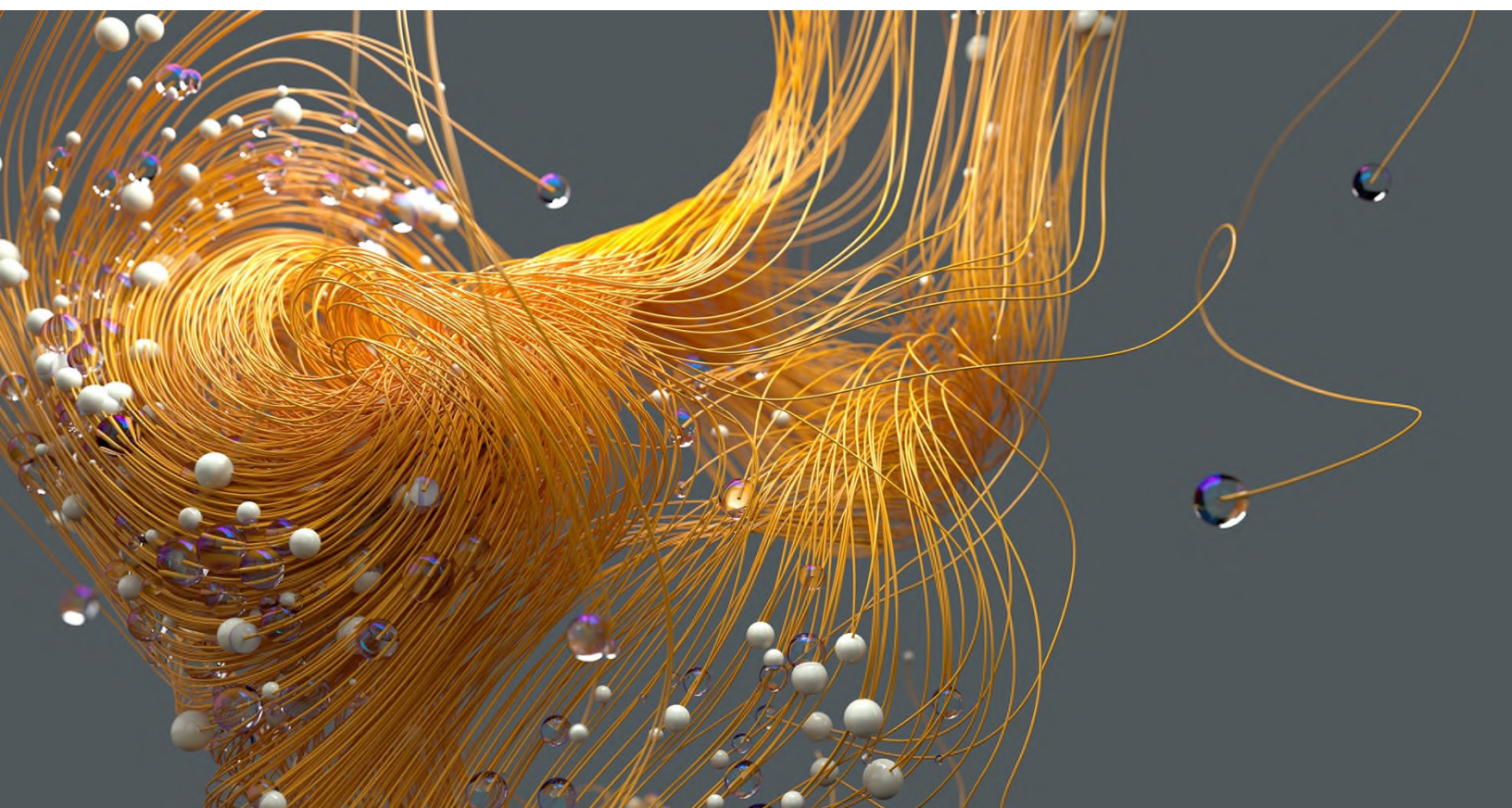
US News | April 4, 2021

Caring for a loved one with Alzheimer's disease can be mentally and physically exhausting, so you should take steps to manage and reduce stress, according to Alzheimer's Foundation of America. "Finding ways to manage and reduce stress is of paramount importance for every Alzheimer's caregiver. Untreated stress can lead to physical, mental and emotional caregiver burnout," Jennifer Reeder, director of educational / social services, said in a news release. The foundation offers the following six tips to help caregivers enhance their stress-coping skills: Be adaptable and positive. Your attitude influences stress levels for both you and your loved one. Deal with what you can control. Remember that some things are out of your control, such as coronavirus pandemic. Set realistic goals and take it slow. Everything can't be resolved immediately and it doesn't need to be, so don't have unrealistic expectations. Take care of your health. Too little rest, poor diet and lack of exercise can worsen stress and cause other health problems. Clear your mind. Exercise, yoga, meditation, listening to music and deep breathing can help relax your mind and reduce stress. Share your feelings. Talking with family members, trusted friends or a professional can also help relieve stress.

April 13, 2021

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**



**This week's banker commentary:**  
**Digital Pharmacy Space in 2021**

# Industry Insights

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## Digital Pharmacy Space in 2021

*Banker Commentary by Joshua Leighton*

I grew up listening to stories of how my father and uncles helped my grandfather in the family pharmacy by calling local doctors' offices to take prescriptions, filling and labeling glass pill bottles by hand, and making deliveries to patients' homes. While some aspects remain the

same, the industry couldn't be more different in the 25 years since Leighton's Pharmacy in Binghamton, NY closed its doors. Prescriptions are sent electronically through secure networks to retail and online pharmacies, ordered through Amazon.com, or received through monthly subscriptions for generic hair-loss treatments or smoking cessation prescriptions, all without leaving home. An industry that started with "mom and pop" shops is evolving into a consumer-driven industry that is convenient, confidential, and cost-effective.

Rising prevalence of chronic disease, adoption of telemedicine, and increased healthcare expenditure are all helping to drive growth in digital pharmacy / e-pharmacy. The e-pharmacy market is expected to grow at a 22% CAGR to ~\$178 billion in 2025 (~\$50 billion in prescriptions and ~\$128 billion in OTC medications). Global healthcare spending is expected to exceed \$16 trillion by 2030 with \$3.1 trillion (23% of total) in the form of out-of-pocket costs<sup>1</sup>. These trends, along with the rise in popularity of high deductible health plans, will make consumers even more aware of prices and cause them to consider using alternative pharmacies or services.

The retail pharmacy sector is still dominated by legacy giants, like CVS, Walgreens, and Walmart, who account for 2/3rds of the market<sup>2</sup>, but nipping at their heels are increasing threats from tech- and digital-focused companies. Amazon's \$753 million deal for PillPack in 2018 came as no surprise, but still sent ripples through the industry, prompting strategy changes and consolidation.

Large pharmacies and PBMs have begun to enter the digital pharmacy sector with recent deals from United Healthcare, which acquired divvyDOSE for an estimated \$300 million in September 2020, and Walmart, which acquired CareZone for \$200 million in June 2020. Both divvyDOSE and CareZone are digital pharmacy platforms that streamline and manage pharmacy delivery, proving to be an important strategy for key consolidators moving forward.

The medication dispensing and delivery segment has seen a tremendous number of startups emerge in recent years, including Capsule, DivvyDOSE, Phil, ScriptDrop, Alto Pharmacy, MedAvail, TruePill, and Medly. Several of these companies have gained significant VC and PE interest and are well into later-stage funding rounds or have been acquired by key strategics, as previously described. Even non-traditional players like Uber are "taking a ride" in the digital pharmacy race with recent partnership announcements with ScriptDrop and NimbleRx to expand into the prescription delivery solutions business<sup>3</sup>.



## Industry Insights continued...

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On the direct-to-consumer prescription services side, VC- and PE-backed companies, Ro and Hims & Hers have recently gone public via SPAC transactions, while Lemonaid Health, Maven Clinic, Curology, Nurx, Pill Club, Wisp, and Keeps (Thirty Madison) continue to grow in the private markets.

Given the increased spotlight on cost containment, it's not surprising that the market has seen several prescription drug discount companies emerge, like Blink Health, OneRx, and SingleCare. The most well-known company in this segment, GoodRx, went public via a \$1.14 billion IPO in September 2020, valuing the company at \$20.7 billion, representing a ~28x '21E revenue multiple.

As public pressure on healthcare costs continues to build, buttressed by expanding consumerism and drug pricing transparency across the industry, I expect we will see continued growth and innovation in the digital pharmacy sector and frenzied transaction volume over the next several years.



# Healthcare M&A Activity

## Recent Selected Healthcare M&A Transactions (\$MM)

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
4/8/2021	Leixir Dental Group (Stakeboat Capital and IvyCap Ventures)	Comvest Partners	NA	NA	NA	Provider of dental lab services and solutions
4/8/2021	Further (Stella)	HealthEquity (Nasdaq: HQY)	\$500	8.3x	41.7x	Provider of HSA and consumer directed benefit administration services
4/8/2021	Home Helpers Home Care (Linsalata Capital Partners)	RiverGlade Capital	NA	NA	NA	Provider of in-home care to seniors
4/8/2021	Velocity Clinical Research (NaviMed Capital)	GHO Capital	NA	NA	NA	Integrated clinical trial site organization
4/7/2021	Veristat	WindRose Health Investors	NA	NA	NA	Clinical research organization
4/5/2021	Avadyne Health (WindRose Health Investors, Search Fund Partners)	Meduit	NA	NA	NA	Patient payment and financial engagement solutions
4/5/2021	Genosity	Invitae (NYSE: NVTX)	\$200	NA	NA	Genomics company that offers software and laboratory solutions
3/25/2021	eMolecules	Avista Capital Partners	NA	NA	NA	E-procurement platform for high-value chemicals and bioreagent
3/24/2021	myNEXUS	Anthem (NYSE: ATNM)	NA	NA	NA	Comprehensive home-based nursing management company for payors
3/24/2021	PWNHealth and Home Access Health	Everlywell	NA	NA	NA	PWN Health: National clinician network for early detection and prevention of disease using advanced diagnostics and telehealth Home Access: self-collected lab tests
3/23/2021	PatientPing	Appriss Health (Clearlake Capital Group and Insight Partners)	~\$500.0	NA	NA	Post-acute care software provider
3/23/2021	Revelation Pharma	Osceola Capital	NA	NA	NA	National partnership of 503A compounding pharmacies
3/17/2021	M2GEN	Clayton, Dubilier & Rice Merck Global Health Innovation Fund, McKesson Ventures	NA	NA	NA	Oncology data and informatics platform
3/16/2021	Cherry Tree Dental	ICV Partners	NA	NA	NA	General dentistry provider in Wisconsin
3/16/2021	Cumberland	Tegria	NA	NA	NA	Healthcare consulting and services firm for payers and providers
3/16/2021	EBS Healthcare	The Stepping Stones (Five Arrows Capital Partners)	NA	NA	NA	Therapeutic and behavioral company
3/16/2021	Grand Rounds	Doctor On Demand	Merger	NA	NA	Full suite of digital and interactive healthcare solutions
3/17/2021	himagine Solutions (BPOC)	Omega Healthcare Management (Goldman Sachs Merchant Banking and Everstone Group)	NA	NA	NA	himagine is a BPOC backed healthcare
3/15/2021	Advent Home Medical	New Harbor Capital	NA	NA	NA	At-home respiratory care company providing services and medical equipment
3/15/2021	Cordis (Cardinal Health)	Hellman & Friedman	\$1,000	1.3x	NA	Minimally-invasive cardiovascular technology
3/15/2021	HealthPRO Heritage (BPOC and SV Health Investors)	Wellspring Capital Management	NA	NA	NA	Provider of therapy management and consulting services to nursing homes and long-term care facilities
3/15/2021	ProtoQuick and Peridot	Seisa Medical	NA	NA	NA	Contract manufacturing and components
3/11/2021	Premier Health Consultants (majority stake)	Trinity Health	NA	NA	NA	Urgent care provider
3/9/2021	Bio-Optronics (Mainsail Management)	Advarra (Genstar Capital)	NA	NA	NA	Clinical trial management system for health systems and research sites
3/9/2021	Claritas Rx	Questa Capital	NA	NA	NA	Provider of data and analytics solutions covering specialty and rare disease patients
3/9/2021	Crown Health Care Laundry Services (Quilvest Capital Partners)	The Pritzker Organization	NA	NA	NA	Provider of outsourced linen management services and specialty products to hospitals, clinics and other facilities

# Healthcare Equity Private Placements Activity

## Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
4/7/2021	Firefly Health	Andreessen Horowitz (lead), F-Prime Capital and Oak HC/FT	Series B	\$40	Artificial intelligence-based platform that connects patients and health care professionals
3/24/2021	Ginger	Blackstone Growth (lead), Kaiser Permanente Ventures, Cigna Ventures, Bessemer Venture Partners, Advance Ventures Partners, Khosla Ventures and others	Series E	\$100	On-demand mental health company
3/23/2021	AKASA (fka Alpha Health)	BOND (lead), Andreessen Horowitz, and Costanoa Ventures	Series B	\$60	Unified automation company for revenue cycle management in healthcare
3/23/2021	Ro	General Catalyst, FirstMark Capital and TQ Ventures (co-leads), SignalFire, Torch Capital, BoxGroup, Altimeter Capital, Baupost Group, Dragoneer Investment Group, and others	Series D	\$500	Vertically integrated primary care platform
3/22/2021	Evidation Health	OMERS Growth Equity and Kaiser Permanente Group Trust (co-leads), McKesson Ventures, B Capital Group	Series E	\$153	Digital health network
3/17/2021	Millennia Patient Services	Pamlico Capital and Eir Partners	Growth	Undisclosed	Patient payment and end-to-end patient financial engagement technologies for hospitals, health systems and medical groups
3/16/2021	Clarify Health	Insight Partners (lead), Spark Capital, Concord Health Partners, HWVP, KKR, Rivas Capital and Sigmas Group	Series C	\$115	Enterprise analytics company delivering real-world insights to healthcare organizations
3/16/2021	BetterNight	HCAP	Series B	Undisclosed	Comprehensive virtual-care sleep health solutions
3/18/2021	Happify Health	Deerfield Management (lead), Omega Capital Partners, ION Crossover Partners, TT Capital Partners, Marketplace Funds Venture Capital, Mangrove Capital Partners and others	Series D	\$73	Global software-enabled healthcare platform to improve mental and physical health
3/16/2021	Strive Health	CapitalG (lead), NEA, Town Hall, Ascension and Echo Ventures	Series B	\$140	Value-based kidney care

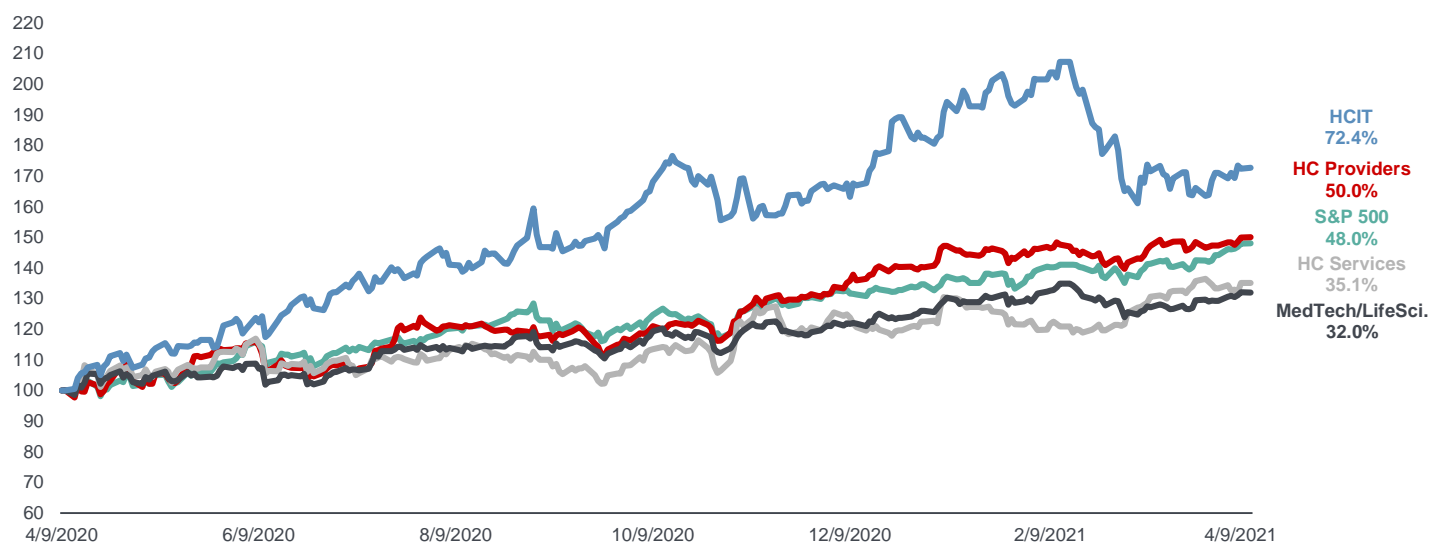
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of April 9, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	33,153	33,801	42.5%	2.0%
S&P 500	4,020	4,129	48.0%	2.7%
NASDAQ	13,480	13,900	70.5%	3.1%
Russell 2000	2,254	2,243	79.9%	(0.5%)
NYSE Healthcare	20,351	20,630	24.1%	1.4%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	73.3%	2.2%
Alternate Site Services	25.0%	2.0%
Diagnostics	76.3%	0.0%
Distribution	38.0%	(0.7%)
Healthcare IT	72.4%	0.7%
Healthcare REITs	26.1%	0.3%
Managed Care	37.1%	2.0%
Medical Technology	29.0%	2.1%
Outsourced Services	51.9%	2.4%
Pharma Services	67.5%	3.5%
Pharmacy	22.9%	(0.6%)
Post-Acute Care	37.5%	1.5%

## Cain Brothers Core Healthcare Indices (1YR Performance)



## Recent Selected Healthcare IPOs and Follow-Ons (\$MM)

Pricing Date	Issuer (Ticker)	Offering	Deal Value	Mkt Cap. <sup>1</sup>	Offer Price	Current / Offer	Description
4/9/2021	Phreesia (PHR)	Follow On	\$225	\$2,611	\$50.00	5.8%	Healthcare IT solutions
3/25/2021	Alignment Healthcare (ALHC)	IPO	\$39	\$3,232	\$18.00	32.4%	Tech-enabled Medicare Advantage company
3/3/2021	Oscar Health (OSCR)	IPO	\$1,184	\$5,089	\$39.00	(39.4%)	Technology-driven health insurance company
3/4/2021	InnovAge (INNV)	IPO	\$350	\$3,207	\$21.00	17.1%	Provider of the Program of All-inclusive Care for the Elderly (PACE)
2/11/2021	Apria (APR)	IPO	\$150	\$744	\$20.00	54.1%	Provider of integrated home healthcare equipment
2/11/2021	Bioventus (BVS)	IPO	\$104	\$649	\$13.00	5.8%	Joint pain and preservation medtech company
2/11/2021	Signify Health (SGFY)	IPO	\$564	\$6,036	\$24.00	9.3%	Value-based care platform
2/10/2021	OptimizeRx (OPRX)	Follow On	\$66	\$959	\$49.50	(0.3%)	Provider of digital health solutions for life science companies, physicians & patients
2/5/2021	Lucira Health (LHDX)	IPO	\$153	\$933	\$17.00	(49.5%)	Single-use test kits for COVID-19

# Tax-Exempt Debt Markets

## Tax-Exempt Debt Information as of April 9, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	2.04%	2.13%	3.74%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.79%	1.88%	3.39%
SIFMA (Variable Rate Demand Notes)	0.06%	0.07%	1.83%
Revenue Bond Index	2.66%	2.70%	3.34%
SIFMA/ 1Month LIBOR	54.55%	63.64%	186.73%
RBI/30 Yr Treasury (%)	113.68%	114.89%	269.35%
30-Yr Floating to Fixed Sway (81% LIBOR)	1.68%	1.78%	0.64%

## Tax-Exempt Healthcare Issuance Information<sup>1</sup> (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
Novant Health Obligated Group (Taxable)	\$700.000	Multi	Aa3 / AA- / AA-	2051	MWC**	3.17%	3.17%	N/A	2.32%
Novant Health Obligated Group (Taxable)	\$400.000	Multi	Aa3 / AA- / AA-	2061	MWC**	3.32%	3.32%	N/A	2.32%
Novant Health Obligated Group (Taxable)	\$400.000	Multi	Aa3 / AA- / AA-	2036	MWC**	2.64%	2.64%	N/A	1.64%
Lucile Salter Packard Children's Hospital at Stanford (Forward Delivery)	\$206.670	CA	A1 / A+ / AA-	2051	2032 (C)	4.00%	2.69%	3.38%	1.64%
<b>Total</b>	<b>\$1,706.670</b>								

\*Key: NC = No Call, MWC = Make Whole Call, (C) = Par Call, (P) = 1st Put, (R) = Reprice Date

\*\*Make whole at 15 bps

1. Bloomberg, Capital IQ

## What's On Deck: Tax-Exempt Healthcare Issuances<sup>1</sup> (\$MM)

Issuer	Date	Amount	Rating
Summa Health Taxable Bonds, Series 2021 (Corporate CUSIP) Insured by: Assured Guaranty Municipal Corp.	4/14/2021	\$325.000	NR / AA / NR
Michigan Finance Authority Hospital Revenue Refunding Bonds (McLaren Health Care) Series 2015D-1 (FRN Rate or Term Rate) Series 2015D-2 (FRN Rate or Term Rate) Remarketing	4/15/2021	\$140.275	A1 / NR / AA-
Indiana Housing and Community Development Authority Multifamily Housing Revenue Bonds (Vita of Marion Project) , Series 2021A Multifamily Housing Revenue Bonds (Vita of Marion Project) , Series 2021B	4/14/2021	\$25.615	NR / NR / NR

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

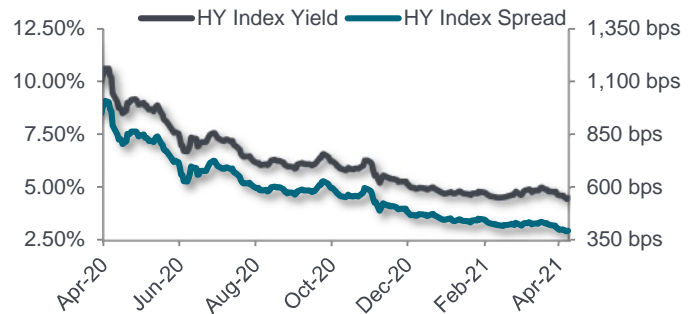
### High Yield

- Last week saw a \$3.8 billion inflow, the largest inflow since November 2020; net outflows total \$7.2 billion YTD, which follows \$44.9 billion of net inflows in 2020

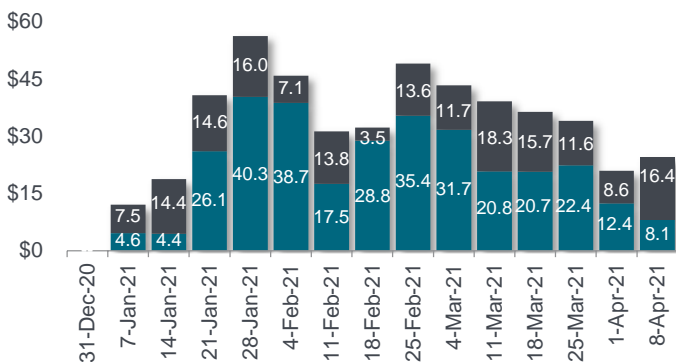
### Leveraged Loans

- Leveraged loan funds saw a \$1.0 billion inflow last week, marking the 13th consecutive inflow of 2021; net inflows total \$10.9 billion YTD, which follows \$27.0 billion of net outflows in 2020
- The leveraged loan primary market saw 9 deals price last week for \$8.1 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



## New-Issue Clearing Yields<sup>1</sup> (\$MM)

	30-Day Rolling Average				
	4Q20	1Q21	February 2021	March 2021	04/08/21
Overall	5.32%	4.40%	4.34%	4.59%	4.75%
4B	4.00%	3.00%	2.93%	3.24%	3.53%
2B	5.41%	4.63%	4.54%	4.97%	5.03%
Middle Market	6.02%	4.79%	4.29%	5.29%	5.84%

## Most Recent Healthcare High-Grade Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
3/25/2021	AmerisourceBergen	Sr Notes	\$1,525	Baa2 / A- / A-	0.737%	3/15/2023	+60	25 bps
3/25/2021	AmerisourceBergen	Sr Notes	\$1,000	Baa2 / A- / A-	2.700%	3/15/2031	+110	8 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	2.700%	3/15/2031	+110	25 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	3.750%	3/15/2051	+145	25 bps
3/16/2021	Illumina Inc	Sr Notes	\$500	Baa3 / BBB / NR	0.550%	3/23/2023	+40	20 bps

## Most Recent Healthcare High-Yield Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
4/8/2021	Organon	Sr. Sec. Notes	\$2,100	Ba2/BB	4.125%	4/30/2028	282 bps	4.125%-4.25%
4/8/2021	Organon (€)	Sr. Sec. Notes	\$1,475	Ba2/BB	2.875%	4/30/2028	344 bps	3.00% area
4/8/2021	Organon	Sr. Notes	\$2,000	B1/BB-	5.125%	4/30/2031	348 bps	5.125%-5.25%
4/8/2021	Lannett	1st Lien Notes	\$350	B1/B	7.750%	4/15/2026	691 bps	7.75%-8.00%
3/11/2021	Endo Pharma	Sr. Sec. Notes	\$1,295	B2/B+	6.125%	4/1/2029	479 bps	6.25% area

## Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
4/9/2021	One Call Care Management Inc	Kohlberg, Kravis & Roberts	B3/B-	Refinancing	\$700	L+550, 0.75% @ 98	6.750%
4/8/2021	Organon & Co.	Not Sponsored	Ba2/BB	Spinoff	\$3,000	L+300, 0.50% @ 99.5	3.625%
4/1/2021	MedRisk LLC	CVC	B3/B	LBO	\$750	L+375, 0.75% @ 99	4.750%
4/1/2021	Solis Women's Health	Madison Dearborn Partners	B3/B-	Recap/General Recap	\$300	L+475, 0.75% @ 99	5.750%
3/30/2021	MyEyeDr	Goldman Sachs	B3/B-	Corp Purpose	\$125	L+425, 0.00% @ 99	4.500%



## Healthcare News

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### CMS Proposes Changes To Skilled Nursing Facility Prospective Payment System<sup>1</sup>

Healthcare Finance | April 12, 2021

The Centers for Medicare and Medicaid Services has issued a proposed rule that would update Medicare payment policies and rates for skilled nursing facilities under the Skilled Nursing Facility prospective payment system for fiscal year 2022. According to CMS estimates, the impact of the payment policies in the proposed rule would result in an increase of about \$444 million in Medicare Part A payments to SNFs in FY22. This estimate reflects a \$445 million increase from the update to the payment rates of 1.3%, which is based on a 2.3% SNF market basket update, minus a 0.8 percentage point forecast error adjustment and a 0.2 percentage point multifactor productivity adjustment, and a \$1.2 million decrease due to the proposed reduction to the rates to account for the recent blood-clotting factors exclusion. That exclusion requires that certain specified blood clotting factors used for the treatment of patients with hemophilia and other bleeding disorders be excluded from the consolidated billing requirements for items and services furnished on or after October 1.

### Blood Test for Depression, Bipolar Disorder<sup>2</sup>

Science News | April 8, 2021

Worldwide, 1 in 4 people will suffer from a depressive episode in their lifetime. While current diagnosis and treatment approaches are largely trial and error, a breakthrough study by Indiana University School of Medicine researchers sheds new light on the biological basis of mood disorders, and offers a promising blood test aimed at a precision medicine approach to treatment. The team's work describes the development of a blood test, composed of RNA biomarkers, that can distinguish how severe a patient's depression is, the risk of them developing severe depression in the future, and the risk of future bipolar disorder (manic-depressive illness). The test also informs tailored medication choices for patients. The team found that mood disorders are underlined by circadian clock genes – the genes that regulate seasonal, day-night and sleep-wake cycles. The team's work has opened the door for findings to be translated into clinical practice, as well as help with new drug development. Focusing on collaboration with pharmaceutical companies and other doctors in a push to start applying some of their tools and discoveries in real-world scenarios, the team believes the work being done is vital in improving the quality of life for countless patients.

### Ovarian Cancer Diagnosis Can Take Big Toll on Women's Mental Health<sup>3</sup>

US News | April 12, 2021

Ovarian cancer is a tough diagnosis to cope with, and now a new study finds these patients face a much higher risk of depression and other mental health issues. And the emotional anguish exacted a significant toll: The researchers also found it was associated with an increased risk of death during the study period among these women. For the study, the investigators analyzed the medical records of nearly 1,700 women in Utah who were diagnosed with ovarian cancer between 1996 and 2012, and compared them with more than 7,000 women without cancer. Compared to the general public, women with ovarian cancer were over three times more likely to be diagnosed with a mental illness in the two years after their cancer diagnosis, the findings showed. Ovarian cancer patients' risk of depression was just over three times higher in the first two years after their cancer diagnosis, and almost 1.7 times higher two to five years after diagnosis. Risk of anxiety disorder was 3.5 times higher in the two years after diagnosis and nearly twice as high two to five years after diagnosis.

1. <https://www.healthcarefinancenews.com/news/cms-proposes-changes-skilled-nursing-facility-prospective-payment-system>

2. <https://www.sciencedaily.com/releases/2021/04/210408112310.htm>

3. <https://www.usnews.com/news/health-news/articles/2021-04-12/ovarian-cancer-diagnosis-can-take-big-toll-on-womens-mental-health>

## Healthcare News Continued...

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### J&J Vaccine Problems Hamper U.S. Military Vaccines Overseas<sup>1</sup>

Modern Healthcare | April 8, 2021

U.S. military leaders said Thursday that recent problems with the Johnson & Johnson vaccine have made it more difficult to provide shots for forces overseas, and that vaccines have been offered to service members' families or other tier two beneficiaries in only 40% of the military sites outside the U.S. Speaking at a Pentagon press conference, they said they are making up for the Johnson & Johnson shortfall by shipping more Moderna vaccines to forces outside the country. The cold temperature and other requirements for the Pfizer vaccine make it more difficult to send overseas. Johnson & Johnson had to discard 15 million doses of its coronavirus vaccine last month because the batch did not meet quality standards. The loss in expected vaccines was a greater problem for the military, because it had targeted the Johnson & Johnson shot for distribution overseas since it only requires one dose and doesn't need the strict temperature controls that others do.

### Confusion Remains About ONC Information Blocking Rules, Even After Start Date<sup>2</sup>

Healthcare IT News | April 8, 2021

A poll taken this past month found that many healthcare industry stakeholders were still confused about federal information blocking rules – even though they were finalized more than a year ago and their new April 5 start date has been long publicized. Now that the info blocking rules drafted by the Office of the National Coordinator for Health IT are in effect, the poll suggests that many healthcare organizations may still not meet or even understand basic interoperability requirements. The survey – sent this past month to 4,000 clinical, technology and administrative leaders from provider, payer, IT and other organizations by the clinical and imaging data network Life Image – found that nearly half of the respondents were not familiar with the term "information blocking," among other troubling data points. The road to implementation of information blocking rules has been a winding one, with more than a year since the ONC issued the final regulations. (The COVID-19 pandemic certainly didn't help: the deadline for compliance was pushed back multiple times.) Still, confusion clearly endures. ONC has tried to make the process smoother, releasing new tools to help developers comply.

### FDA Approves First AI Tool to Boost Colonoscopy Accuracy<sup>3</sup>

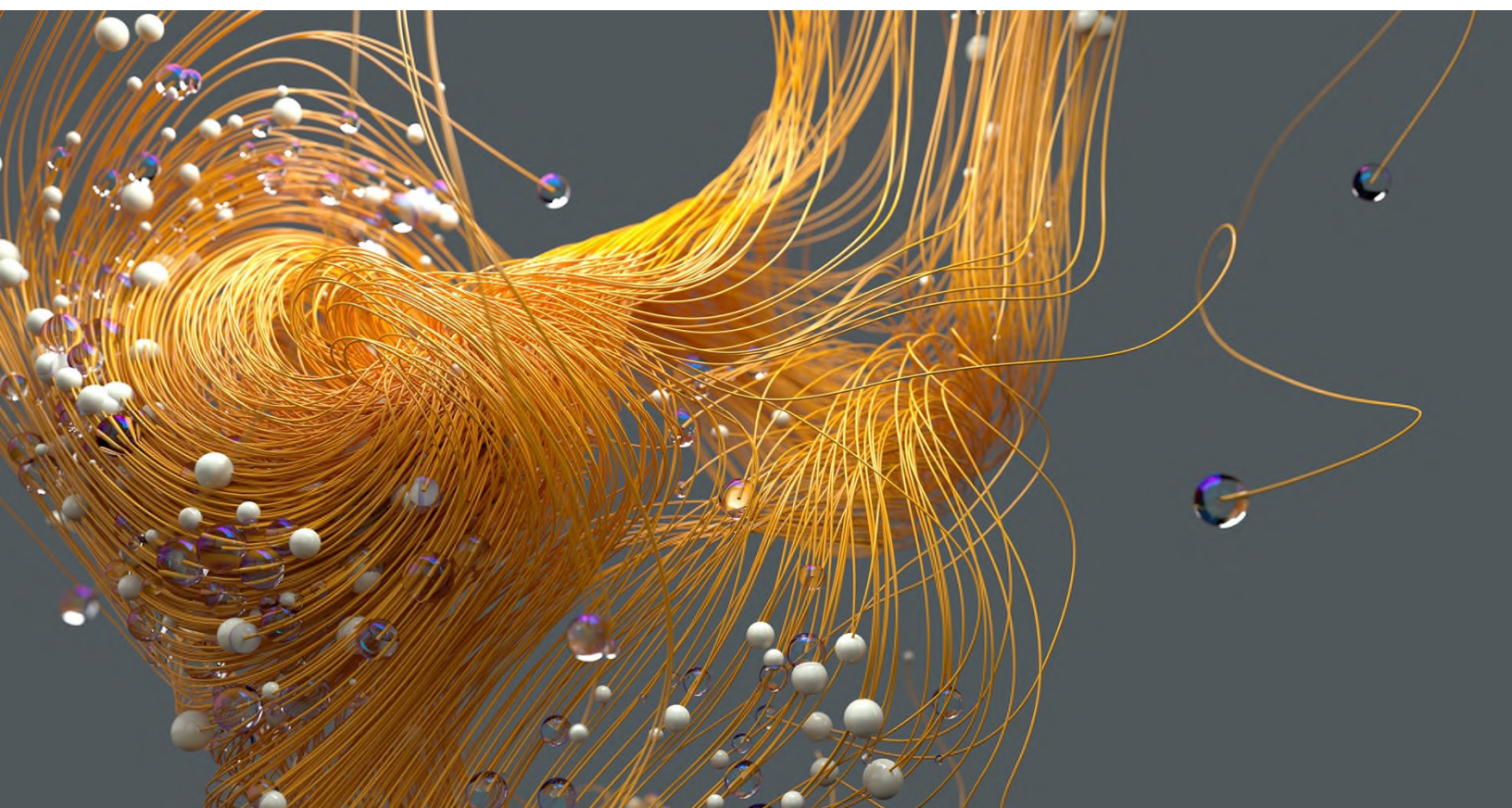
US News | April 13, 2021

The first device that uses artificial intelligence (AI) to help detect possible signs of colon cancer during colonoscopy has been approved by the U.S. Food and Drug Administration. The GI Genius uses AI-based machine learning to help identify lesions such as polyps or suspected tumors in real time during a colonoscopy, according to the agency. When AI is combined with traditional screenings or surveillance methods, it could help find problems early on, when they may be easier to treat. With the FDA's authorization of this device, clinicians now have a tool that could help improve their ability to detect gastrointestinal lesions they may have missed otherwise. The device includes hardware and software that highlights areas of the colon where a potential lesion is detected. During a colonoscopy, the software uses AI algorithm techniques to identify areas that may require further assessment, including closer visual inspection, tissue sampling, testing or removal, or ablation (burning) of the lesion. Colon cancer is the third-leading cause of cancer death in the United States, usually starting from polyps or other precancerous growths.

April 20, 2021

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**



**This week's banker commentary:**  
**Family Caregiving**

# Industry Insights

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## Family Caregiving

*Banker Commentary by Wyatt Ritchie*

Anyone reading this article likely has a vested interest in our healthcare system, yet few of us focus on what may be the largest provider of healthcare services: families. Advances in medicine, shorter hospital stays, increasing life spans with better management of chronic

illnesses, a shortage of homecare workers and the expansion of home care technology have increased the caregiving responsibilities of families, who are being asked to shoulder greater burdens for longer periods of time.

About 44 million Americans provide 37 billion hours of unpaid, “informal” care each year for adult family members and friends with illnesses or conditions that prevent them from handling daily activities such as bathing, managing medications or preparing meals on their own. Family caregivers, particularly women, provide over 75% of caregiving support in the United States. In 2007, the estimated economic value of family caregivers’ unpaid contributions was at least \$375 billion (based on the estimated cost to replace that care with paid services).

Many studies and reports reveal the following information about caregivers:

- The “typical” caregiver is a 46-year-old woman who works outside the home and spends more than 20 hours per week providing care to her mother
- The majority of caregivers are 35-64 years old and employed
- Nearly half provide fewer than eight hours of care per week, while nearly one in five provide more than 40 hours of care per week
- Caregiving can last from less than a year to more than 40 years. In a 2003 study, caregivers were found to spend an average of 4.3 years providing care

Most caregivers are ill-prepared for their role and provide care with little or no support. In addition, caregivers are at risk for high levels of stress, anxiety, exhaustion, depression, increased use of alcohol or other substances, poor physical health and neglecting their own care. Currently, families too often do not know where to turn for help. Many community agencies cannot provide adequate support due to funding constraints and outdated policies. And while a growing number of employers are offering more flexible work schedules, “cafeteria style” benefits and employee assistance programs, the needs of many caregivers are not being met.

With the 65+ age group expected to double to 70 million people by 2030, we will be relying even more on families to provide care for their aging parents, relatives and friends for months and years at a time. Yet, the enormous pressures of family caregiving—burnout, compromised health, depression and depletion of financial resources—are a reality for millions of American families and pose great strain on family caregivers, many of whom are struggling to balance work and family responsibilities.

We all have a vested interest to ensure family caregivers have the support to continue providing these highly valued services. Organizations like Family Caregiver Alliance, who was extraordinarily helpful with this article, have been at the vanguard of supporting family caregivers with education

## Industry Insights continued...

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and services, but more importantly, acting as a voice to policy makers and others. However, it is also time for the broader participants in the healthcare industry to step forward. With our increased understanding of the impact on health from social determinants and the increasing role of third-party managed care organizations in the administration of Medicare and Medicaid, the environment is ripe for investment, innovation and support. Partnering with community-based organizations and leveraging their knowledge and experience to support family caregivers who are managing chronic conditions and mitigating more costly care would seem to be an obvious opportunity.



# Healthcare M&A Activity

## Recent Selected Healthcare M&A Transactions (\$MM)

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
4/15/2021	PPD (Nasdaq: PPD)	Thermo Fisher Scientific (NYSE: TMO)	\$20,900	4.4x	24.4x	Global provider of clinical research services to the pharma and biotech industry
4/15/2021	PPM Advisory Group and OrtlebyBio	Red Nucleus	NA	NA	NA	Provider of scientific operations and communications services to biopharmaceutical companies
4/15/2021	Solesis (51% stake)	Altaris Capital Partners	NA	NA	NA	Biomaterials for the life sciences industry
4/14/2021	American Health Partners	Mitchell Family Office	NA	NA	NA	Continuum of health care services for adults and seniors, including long-term support for daily living, home health and hospice, and short-term care focused on recovery and rehabilitation
4/14/2021	BioDot	ATS Automation Tooling Systems (TSX:ATA)	\$84	9.7x	8.4x	Manufacturer of automated fluid dispensing systems for life science industry
4/14/2021	Bluestone Physician Services	WindRose Health Investors	NA	NA	NA	Provider integrated care delivery model to more than 22,000 high-risk, chronically ill patients residing in senior living, community, and other home-based settings
4/14/2021	Canadian Orthodontic Partners	Pamlico Capital	NA	NA	NA	Orthodontics-focused specialty dental support organization
4/13/2021	Revival Animal Health	Incline Partners	NA	NA	NA	Distributor of pet health products
4/13/2021	Home Care Delivered	BPOC	NA	NA	NA	Provider of reimbursable medical supplies
4/12/2021	Specialty Pharmacy Nursing Network	HealthEdge Investment Partners	NA	NA	NA	Provider of specialty home infusion nursing services
4/12/2021	Therapy Brands (Lightyear Capital LLC, Oak HC/FT, Greater Sum Ventures)	KKR	NA	NA	NA	Practice management and electronic health record software platform for behavioral health and physical rehabilitation providers
4/8/2021	Leixir Dental Group (Stakeboat Capital and IvyCap Ventures)	Comvest Partners	NA	NA	NA	Provider of dental lab services and solutions
4/8/2021	Further (Stella)	HealthEquity (Nasdaq: HQY)	\$500	8.3x	41.7x	Provider of HSA and consumer directed benefit administration services
4/8/2021	Home Helpers Home Care (Linsalata Capital Partners)	RiverGlade Capital	NA	NA	NA	Provider of in-home care to seniors
4/8/2021	Velocity Clinical Research (NaviMed Capital)	GHO Capital	NA	NA	NA	Integrated clinical trial site organization
4/7/2021	Veristat	WindRose Health Investors	NA	NA	NA	Clinical research organization
4/5/2021	Avadyne Health (WindRose Health Investors, Search Fund Partners)	Meduit	NA	NA	NA	Patient payment and financial engagement solutions
4/5/2021	Genosity	Invitae (NYSE: NVTA)	\$200	NA	NA	Genomics company that offers software and laboratory solutions
3/25/2021	eMolecules	Avista Capital Partners	NA	NA	NA	E-procurement platform for high-value chemicals and bioreagent
3/24/2021	myNEXUS	Anthem (NYSE: ATNM)	NA	NA	NA	Comprehensive home-based nursing management company for payors
3/24/2021	PWNHealth and Home Access Health	Everlywell	NA	NA	NA	PWN Health: National clinician network for early detection and prevention of disease using advanced diagnostics and telehealth Home Access: self-collected lab tests
3/23/2021	PatientPing	Appriss Health (Clearlake Capital Group and Insight Partners)	~\$500	NA	NA	Post-acute care software provider
3/23/2021	Revelation Pharma	Osceola Capital	NA	NA	NA	National partnership of 503A compounding pharmacies

# Healthcare Equity Private Placements Activity

## Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
4/15/2021	Medable	Sapphire Ventures (lead), Obvious Ventures, GSR Ventures, PPD, and Streamlined Ventures	Undisclosed	\$78	Digital and decentralized clinical trial solutions
4/14/2021	Bencling	Sequoia Capital (lead), Altimeter Capital, Byers Capital, Elad Gil, Thrive Capital, Benchmark, Menlo Ventures, Alkeon Capital, ICONIQ, Lux Capital, Spark Capital and Lead Edge Capital	Series E	\$200	R&D cloud platform for the life science industry
4/13/2021	Cohere Health	Polaris Partners (lead), Longitude Capital, Deerfield Management, Flare Capital Partners and Define Ventures	Series B	\$36	Digital health plan solutions
4/12/2021	Tend	Addition (lead), GV, Juxtapose, Redpoint and Zigg Capital	Series C	\$125	New York City based dentist clinic
4/7/2021	Firefly Health	Andreessen Horowitz (lead), F-Prime Capital and Oak HC/FT	Series B	\$40	Artificial intelligence-based platform that connects patients and health care professionals
3/24/2021	Ginger	Blackstone Growth (lead), Kaiser Permanente Ventures, Cigna Ventures, Bessemer Venture Partners, Advance Ventures Partners, Khosla Ventures and others	Series E	\$100	On-demand mental health company
3/23/2021	AKASA (fka Alpha Health)	BOND (lead), Andreessen Horowitz, and Costanoa Ventures	Series B	\$60	Unified automation company for revenue cycle management in healthcare
3/23/2021	Ro	General Catalyst, FirstMark Capital and TQ Ventures (co-leads), SignalFire, Torch Capital, BoxGroup, Altimeter Capital, Baupost Group, Dragoneer Investment Group, and others	Series D	\$500	Vertically integrated primary care platform
3/22/2021	Evidation Health	OMERS Growth Equity and Kaiser Permanente Group Trust (co-leads), McKesson Ventures, B Capital Group	Series E	\$153	Digital health network

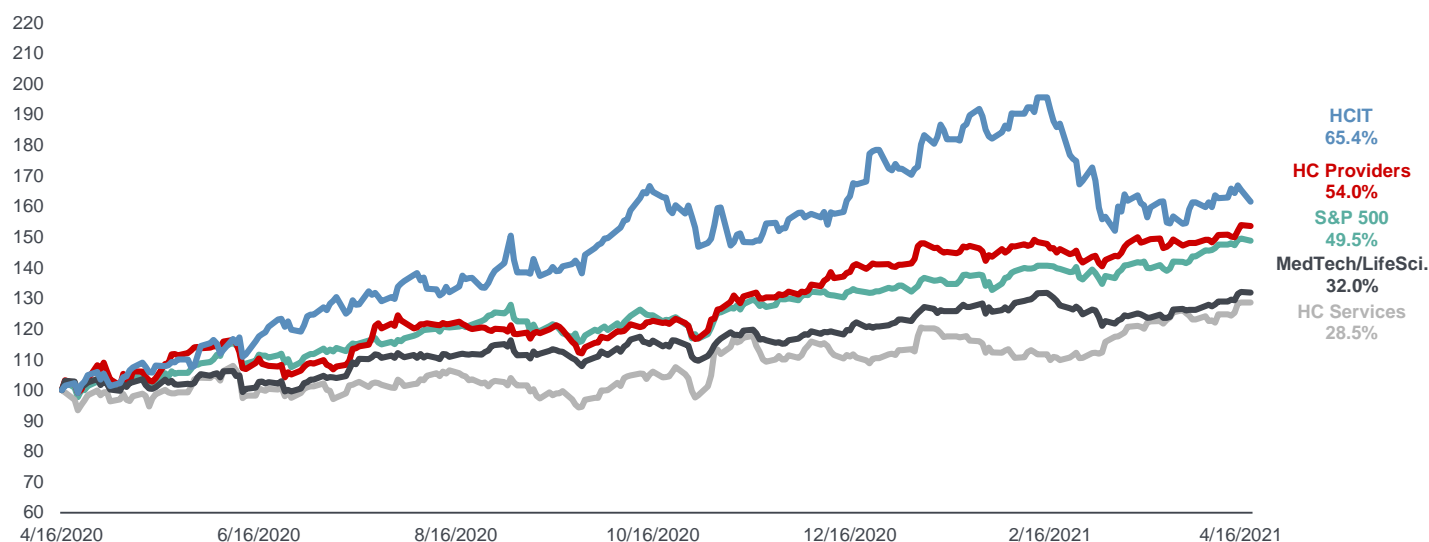
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of April 16, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	33,801	34,201	45.3%	1.2%
S&P 500	4,129	4,185	49.5%	1.4%
NASDAQ	13,900	14,052	64.7%	1.1%
Russell 2000	2,243	2,263	92.1%	0.9%
NYSE Healthcare	20,630	21,176	22.6%	2.6%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	80.0%	3.3%
Alternate Site Services	28.9%	3.1%
Diagnostics	80.1%	2.5%
Distribution	39.5%	1.9%
Healthcare IT	65.4%	1.9%
Healthcare REITs	45.7%	1.2%
Managed Care	27.6%	3.7%
Medical Technology	28.5%	2.3%
Outsourced Services	69.0%	2.2%
Pharma Services	74.5%	3.6%
Pharmacy	22.1%	1.0%
Post-Acute Care	42.8%	1.5%

## Cain Brothers Core Healthcare Indices (1YR Performance)



## Recent Selected Healthcare IPOs and Follow-Ons (\$MM)

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. <sup>1</sup>	Offer Price	Current / Offer	Description
Agilon Health (AGL)	4/15/2021	IPO	\$1,072	\$11,545	\$23.00	30.4%	Partners with physicians to create their own Medicare-centric globally capitated line of business
Phreesia (PHR)	4/9/2021	Follow On	\$225	\$2,611	\$50.00	2.2%	Healthcare IT solutions
Alignment Healthcare (ALHC)	3/25/2021	IPO	\$39	\$3,232	\$18.00	44.8%	Tech-enabled Medicare Advantage company
Oscar Health (OSCR)	3/3/2021	IPO	\$1,184	\$5,089	\$39.00	(37.3%)	Technology-driven health insurance company
InnovAge (INNV)	3/4/2021	IPO	\$350	\$3,207	\$21.00	18.0%	Provider of the Program of All-inclusive Care for the Elderly (PACE)
Apria (APR)	2/11/2021	IPO	\$150	\$744	\$20.00	49.3%	Provider of integrated home healthcare equipment
Bioventus (BVS)	2/11/2021	IPO	\$104	\$649	\$13.00	14.0%	Joint pain and preservation medtech company
Signify Health (SGFY)	2/11/2021	IPO	\$564	\$6,036	\$24.00	12.8%	Value-based care platform

# Tax-Exempt Debt Markets

## Tax-Exempt Debt Information as of April 16, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	1.95%	2.04%	3.31%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.70%	1.79%	2.96%
SIFMA (Variable Rate Demand Notes)	0.06%	0.06%	0.74%
Revenue Bond Index	2.62%	2.66%	2.99%
SIFMA/ 1Month LIBOR	50.00%	54.55%	89.16%
RBI/30 Yr Treasury (%)	115.93%	113.68%	221.48%
30-Yr Floating to Fixed Sway (81% LIBOR)	1.57%	1.68%	0.80%

## Tax-Exempt Healthcare Issuance Information<sup>1</sup> (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
Summa Health** (Taxable)	\$311.960	OH	NR / AA / BBB+	2051	MWC	3.51%	3.51%	N/A	2.32%
VA Cleveland Health Care Center Project (Taxable)	\$250.525	OH	NR / NR / NR	2031	MWC	4.43%	4.43%	N/A	1.69%
McLaren Health Care (Remarketing)	\$75.420	MI	A1 / NR / AA-	2038	2028 (P)	1.20%	1.20%	N/A	1.55%
McLaren Health Care (Remarketing)	\$64.855	MI	A1 / NR / AA-	2030	2028 (P)	1.20%	1.20%	N/A	1.55%
Vita of Marion Project	\$23.445	IN	NR / NR / NR	2041	2029 (C)	5.25%	5.32%	4.98%	1.55%
Vita of Marion Project	\$2.000	IN	NR / NR / NR	2024	NC	4.00%	4.00%	N/A	1.55%
<b>Total</b>	<b>\$728.205</b>								

\*Key: NC = No Call, MWC = Make Whole Call, (C) = Par Call, (P) = 1st Put, (R) = Reprice Date

\*\*Insured by Assured Guaranty Municipal Corp. (AGM); Insured S&P Rating: AA; Underlying Fitch Rating: BBB+; Make whole at 20 bps

1. Bloomberg, Capital IQ

## What's On Deck: Tax-Exempt Healthcare Issuances<sup>1</sup> (\$MM)

Issuer	Date	Amount	Rating
Illinois Finance Authority Revenue Bonds, Series 2021A & Revenue Bonds, Series 2021B (The Carle Foundation) [Fixed Period Bonds]	4/22/2021	\$501.980	NR / AA- / AA-
Stanford Health Care Taxable Bonds	4/21/2021	\$365.000	Aa3 / AA- / AA-
Stanford Health Care California Health Facilities Financing Authority Series 2021A & 2021B (Tax-Exempt)	4/21/2021	\$157.240	Aa3 / AA- / AA-
Indiana Finance Authority Hospital Revenue Bonds, Series 2021A (Marion General Hospital)	4/20/2021	\$24.835	NR / A / NR

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

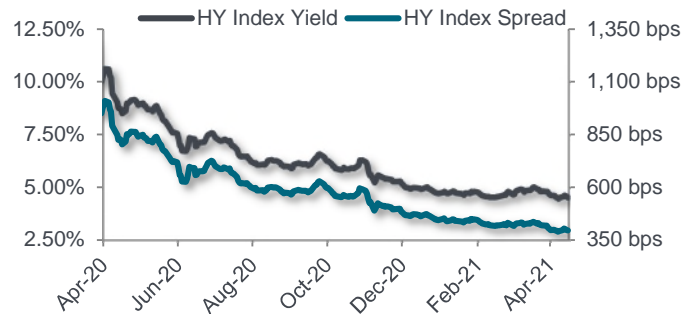
### High Yield

- Last week saw a \$132 million outflow, following the prior week's inflow of \$3.8 billion; net outflows total \$7.4 billion YTD, which follows \$44.9 billion of net inflows in 2020

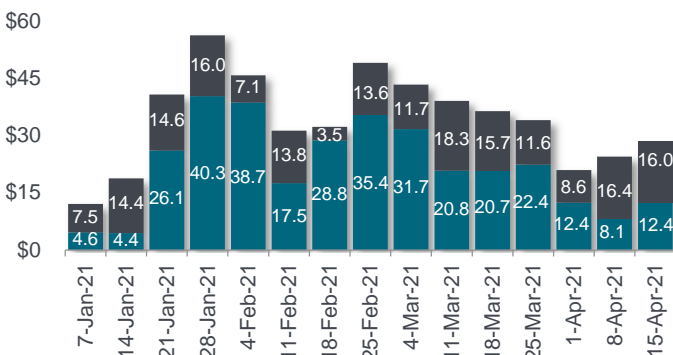
### Leveraged Loans

- Leveraged loan funds saw a \$1.1 billion inflow last week, marking the 14<sup>th</sup> consecutive inflow of 2021; net inflows total \$11.9 billion YTD, which follows \$27.0 billion of net outflows in 2020
- The leveraged loan primary market saw 12 deals price last week for \$12.4 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



## New-Issue Clearing Yields<sup>1</sup> (\$MM)

	4Q20	1Q21	30-Day Rolling Average		
			February 2021	March 2021	04/15/21
Overall	5.32%	4.40%	4.34%	4.59%	4.80%
4B	4.00%	3.00%	2.93%	3.24%	3.38%
2B	5.41%	4.63%	4.54%	4.97%	5.13%
Middle Market	6.02%	4.79%	4.29%	5.29%	5.53%

## Most Recent Healthcare High-Grade Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
3/25/2021	AmerisourceBergen	Sr Notes	\$1,525	Baa2 / A- / A-	0.737%	3/15/2023	+60	25 bps
3/25/2021	AmerisourceBergen	Sr Notes	\$1,000	Baa2 / A- / A-	2.700%	3/15/2031	+110	8 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	2.700%	3/15/2031	+110	25 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	3.750%	3/15/2051	+145	25 bps
3/16/2021	Illumina Inc	Sr Notes	\$500	Baa3 / BBB / NR	0.550%	3/23/2023	+40	20 bps

## Most Recent Healthcare High-Yield Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
4/8/2021	Organon	Sr. Sec. Notes	\$2,100	Ba2/BB	4.125%	4/30/2028	282 bps	4.125%-4.25%
4/8/2021	Organon (€)	Sr. Sec. Notes	\$1,475	Ba2/BB	2.875%	4/30/2028	344 bps	3.00% area
4/8/2021	Organon	Sr. Notes	\$2,000	B1/BB-	5.125%	4/30/2031	348 bps	5.125%-5.25%
4/8/2021	Lannett	1st Lien Notes	\$350	B1/B	7.750%	4/15/2026	691 bps	7.75%-8.00%
3/11/2021	Endo Pharma	Sr. Sec. Notes	\$1,295	B2/B+	6.125%	4/1/2029	479 bps	6.25% area

## Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
4/16/2021	RadNet Inc	Public	B2/B	Refinancing	\$725	L+325, 0.75% @ 99.5	4.125%
4/16/2021	OB Hospitalist Group Inc	Gryphon Investors	NR/NR	Recap/Dividend	\$100	L+425, 1.00% @ 99.5	5.375%
4/9/2021	One Call Care Management Inc	Kohlberg, Kravis & Roberts	B3/B-	Refinancing	\$700	L+550, 0.75% @ 98	6.750%
4/8/2021	Organon & Co.	Not Sponsored	Ba2/BB	Spinoff	\$3,000	L+300, 0.50% @ 99.5	3.625%
4/1/2021	MedRisk LLC	CVC	B3/B	LBO	\$750	L+375, 0.75% @ 99	4.750%



## Healthcare News

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### Patients Hit with Surprise Medical Bills Paid ER Docs 10 Times More Than Others<sup>1</sup>

Healthcare Dive | April 13, 2021

A new report in Health Affairs seeks to measure the financial impact surprise medical bills had on adult patients with private health insurance between 2001 and 2016. Researchers found that ER doctors retained a larger share of what they initially charged, or what is considered the sticker price, when patients were unexpectedly out-of-network compared to those who were not. Put simply, those physicians retained a larger share of the pie from out-of-network patients. In fact, patients who likely had a surprise bill ended up paying ER physicians more than 10 times as much as those who did not, according to the report. Patients with likely surprise bills paid on average \$151 in out-of-pocket payments compared with roughly \$15 for those without.

### Will Rural Areas Get Enough People Vaccinated to Achieve Herd Immunity?<sup>2</sup>

Healthline | April 13, 2021

People living in rural areas of the United States are among the most vaccine-hesitant in the country, a situation that could hamper the nation's ability to achieve herd immunity and put an end to the COVID-19 pandemic. More than 1 in 5 rural residents say they will "definitely not" get the COVID-19 vaccine, according to a Kaiser Family Foundation poll. That compared to 13 percent of adults in suburban areas and 10 percent of adults living in urban communities. To achieve herd immunity — the point in which enough people have immunity to a disease that it can no longer spread throughout the population — between 70 and 90 percent of the population will need to be vaccinated, experts suggest.

### Industry Voices - Addressing Minimum Disruption, Process Efficiency and Customer Satisfaction<sup>3</sup>

Fierce Healthcare | April 12, 2021

Today's informed patients—or, rather, millennials—are willing to play an active role in their treatment processes and lifestyle management and need instant gratifications. However, healthcare providers are struggling to meet their demands. Providers are looking for more visibility and control over cost and utilization. On the other hand, payers are looking for a more holistic approach with alternate payment models, coordinated care and value-based compensation. The increase in the aging population, need for low-cost virtual care models, high costs and rising chronic conditions have been further burdening the current healthcare model. U.S. healthcare spending is expected to increase from 17.8% of GDP in 2019 to 19.4% in 2027. In a nutshell, there is a growing realization among healthcare stakeholders that the existing legacy infrastructure and processes are not working. The traditional care model is reactive, and the absence of customization options in the current healthcare system and payment models has led to inefficiencies in the healthcare ecosystem. To accelerate toward a consumerized and personalized healthcare model, the shift toward a new healthcare ecosystem is imperative.

# Healthcare News Continued...

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## Medicare Sequester Cut Pause Extended Through 2021<sup>1</sup>

Healthcare Dive | April 14, 2021

President Joe Biden on Wednesday signed legislation extending the pause on Medicare sequester cuts through the end of 2021. The cuts were put on hold through the Coronavirus Aid, Relief, and Economic Security Act, though the pause expired April 1. CMS told Medicare administrative contractors to hold all claims for services provided on or after the expiration date, anticipating approval of the bill after the House returned from Easter recess. The agency will automatically reprocess claims paid with the reduction applied if necessary, according to the American Hospital Association. To pay for the extension on the pause, the legislation will increase the cuts in fiscal year 2030.

## Providers Call for Another Chance to Sign Up for Direct Contracting Model<sup>2</sup>

Fierce Healthcare | April 15, 2021

Several provider groups are pressing the Biden administration to create another chance for providers to sign up for the Direct Contracting payment model. Groups complained to the Centers for Medicare & Medicaid Services (CMS) that there will not be a second application period to start to sign up for the model on Jan. 1, 2022, after CMS had previously announced there would be one. The model aims to provide both capitated and partially capitated payments to providers that move away from traditional Medicare fee-for-service. "We regard this unfortunate decision as a serious blow to the progress of the movement toward value-based care," according to a letter led by (PDF) America's Physician Groups and signed by more than 40 groups and stakeholders to the Center for Medicare and Medicaid Innovation (CMMI).

## SPAC-Powered Digital Health Deals Rising Dramatically<sup>3</sup>

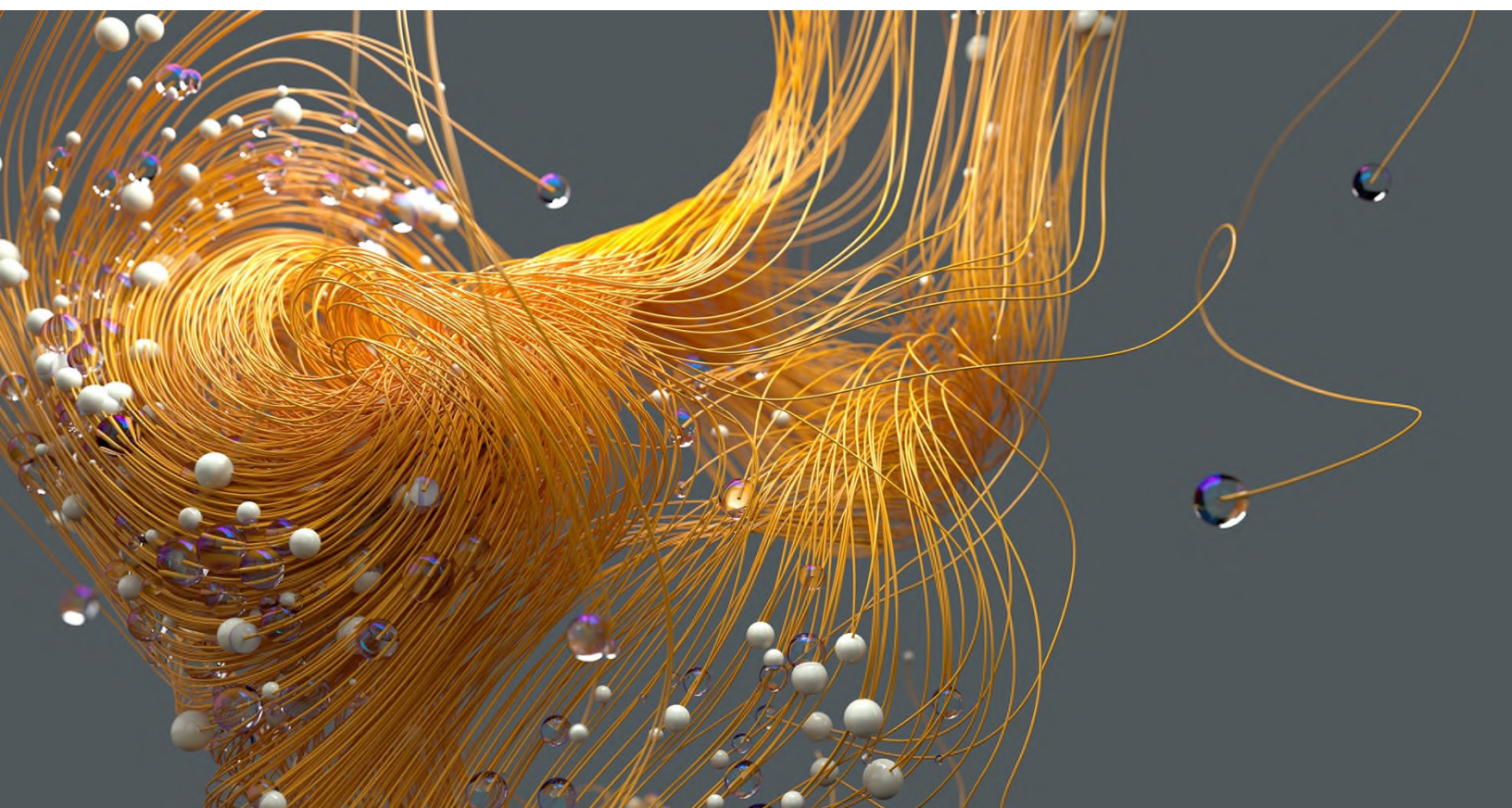
Healthcare Dive | April 15, 2021

Digital Health companies are seeing a flurry of activity to take them public, driven primarily by the use of special purpose acquisition companies, better known as SPACs, based on an analysis by Rock Health. "The first three and a half months of 2021 have already seen more completed or announced public exits by digital health companies than in all of 2020. Digital health firms were the target of 13 SPAC-driven mergers since the beginning of last year, with 11 either completed or scheduled for completion this year," the report notes. That compares to just eight initial public offerings during the same time period. There were two completed SPACs involving digital health firms in 2020 and none in 2019. However, SPAC targets tended to raise significantly less money than the comparable IPOs. Companies were also significantly less developed than those that went public in the traditional manner. Nevertheless, Rock Health predicts the trend will continue and should be a "wake-up call" to larger healthcare firms looking to acquire digital health assets.

April 27, 2021

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**



**This week's banker commentary:**  
**Bifurcation of the Skilled Nursing Market is Growing**

# Industry Insights

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- Industry Insights
- Healthcare M&A Activity
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- Corporate High Grade, High Yield & Leveraged Loan Market
- Healthcare News
- Cain Brothers Recent Transactions Spotlight
- Cain Brothers Recent Transactions



## Bifurcation of the Skilled Nursing Market is Growing

*Banker Commentary by Elizabeth Kim*

The widening gap between the haves and the have-nots was the pervasive theme underlying the COVID economy. That same theme reverberated throughout the skilled nursing sector as the pandemic unfolded. Even as the sector suffered one of its worst crises and the fallout from degradation in occupancy, valuation, and M&A activity, there were those at the higher end of the market with newer facilities and a higher mix of Medicare and private pay patients that saw their valuations hold up relative to their peers with older buildings and a high mix of Medicaid patients.

This bifurcation of the market certainly existed prior to the pandemic but became exceedingly pronounced with the current public health emergency that has disproportionately affected the nursing facilities. The sector's M&A data for 2020 is perhaps not surprising, considering the financial crisis, and, more importantly, the human crisis the sector has endured. The decline in transaction volume was steep, with the number of properties trading hands in 2020 down more than 50% compared to 2019. The drop in valuations was also substantial, with the median price per skilled nursing bed down 24% from \$96,000 in 2019 to under \$73,000 in 2020, according to Irving Levin. Contributing to these statistics were the number of transactions that occurred at the bottom end of the market.

Operators of financially struggling, older assets who found themselves without the scale or the resources to survive were forced to sell at a steep discount, while those operators with newer, better performing assets were able to either transact at a premium or sit on the sidelines and wait for the situation to improve. According to the data, the pricing scale expanded on both ends with the lowest transacted price and highest transacted price reaching the lowest and highest levels, respectively, in many years. At the lowest end, SNFs traded for less than \$7,000 per bed, at the highest end, over \$290,000 per bed. The fact that even under these circumstances some were able to garner such high valuations speaks to the growing bifurcation of the market.

2020 was an anemic year for M&A in the SNF space. Even though the sector has been slow to recover, the pace of consolidation will pick up in the months ahead as occupancy and financial performances improve with vaccine roll out and investors eager to put their capital to work come back to the table. One thing that will not change as we go back to the new normal is the growing divide in the market between the low and high ends of the valuation spectrum. Driven by growth in Medicare Advantage and implementation of the PDPM reimbursement model, the sector has been undergoing a transition for several years.

Those facilities that are able to make the necessary investments to care for higher acuity patients and provide consistent, documentable, quality care will be able to recover quickly and garner premium valuations for their businesses. Those that have languished in making investments will find it increasingly difficult to sustain their operations, and investors will demand steeper discounts for the capital investments required to turn these facilities around. The unfortunate result of this trend is that many in the lowest echelon of the market will not be able to survive. Let's hope that once the dust settles and we understand what the new normal in post-COVID world looks like, this very important segment of the post-acute continuum emerges stronger and better.



# Healthcare M&A Activity

## Recent Selected Healthcare M&A Transactions (\$MM)

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
4/23/2021	PinnacleCare	Sun Life Financial (NYSE: SLF)	\$85	NA	NA	U.S. medical intelligence and healthcare navigation provider
4/23/2021	PlushCare (GGV Capital, Lightspeed Venture Partners, Exponent Capital Partners, Transformation Capital Partners)	Accolade (Nasdaq: ACCD)	\$450	12.9x	NA	Virtual primary care and mental health platform
4/22/2021	Canadian Hospital Specialties (Cortec Group)	Flexpoint Ford	NA	NA	NA	Specialty distributor and manufacturer of medical and surgical products
4/22/2021	Cigna's Texas Medicaid and Medicare-Medicaid Plan	Molina Healthcare (NYSE: MOH)	\$60	NA	NA	Serves 48,000 Medicaid members in the STAR+PLUS program and 2,000 MMP members
4/21/2021	SimonMed Imaging	American Securities	NA	NA	NA	Independent outpatient medical imaging providers and physician radiology practices
4/20/2021	Implantable Provider Group (Sequoia Capital and Camden Partners)	TPG Growth	NA	NA	NA	Provider of surgical cost management solutions
4/19/2021	Abode Healthcare (Summit Partners)	BrightSpring	NA	NA	NA	Provider of home health and hospice services
4/19/2021	HealthiNation (MK Capital, Intel Capital)	GoodRx (Nasdaq: GDRX)	\$75	NA	NA	Provider of informative health video content
4/15/2021	PPD (Nasdaq: PPD)	Thermo Fisher Scientific (NYSE: TMO)	\$20,900	4.4x	24.4x	Global provider of clinical research services to the pharma and biotech industry
4/15/2021	PPM Advisory Group and OrtlebyBio	Red Nucleus	NA	NA	NA	Provider of scientific operations and communications services to biopharmaceutical companies
4/15/2021	Solexis (51% stake)	Altaris Capital Partners	NA	NA	NA	Biomaterials for the life sciences industry
4/14/2021	American Health Partners	Mitchell Family Office	NA	NA	NA	Continuum of health care services for adults and seniors, including long-term support for daily living, home health and hospice, and short-term care focused on recovery and rehabilitation
4/14/2021	BioDot	ATS Automation Tooling Systems (TSX:ATA)	\$84	9.7x	8.4x	Manufacturer of automated fluid dispensing systems for life science industry
4/14/2021	Bluestone Physician Services	WindRose Health Investors	NA	NA	NA	Provider integrated care delivery model to more than 22,000 high-risk, chronically ill patients residing in senior living, community, and other home-based settings
4/14/2021	Canadian Orthodontic Partners	Pamlico Capital	NA	NA	NA	Orthodontics-focused specialty dental support organization
4/13/2021	Revival Animal Health	Incline Partners	NA	NA	NA	Distributor of pet health products
4/13/2021	Home Care Delivered	BPOC	NA	NA	NA	Provider of reimbursable medical supplies
4/12/2021	Specialty Pharmacy Nursing Network	HealthEdge Investment Partners	NA	NA	NA	Provider of specialty home infusion nursing services
4/12/2021	Therapy Brands (Lightyear Capital LLC, Oak HC/FT, Greater Sum Ventures)	KKR	NA	NA	NA	Practice management and electronic health record software platform for behavioral health and physical rehabilitation providers
4/8/2021	Leixir Dental Group (Stakeboat Capital and IvyCap Ventures)	Comvest Partners	NA	NA	NA	Provider of dental lab services and solutions
4/8/2021	Further (Stella)	HealthEquity (Nasdaq: HQY)	\$500	8.3x	41.7x	Provider of HSA and consumer directed benefit administration services
4/8/2021	Home Helpers Home Care (Linsalata Capital Partners)	RiverGlade Capital	NA	NA	NA	Provider of in-home care to seniors
4/8/2021	Velocity Clinical Research (NaviMed Capital)	GHO Capital	NA	NA	NA	Integrated clinical trial site organization
4/7/2021	Veristat	WindRose Health Investors	NA	NA	NA	Clinical research organization

# Healthcare Equity Private Placements Activity

## Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
4/22/2021	InterWell Health	Undisclosed	Series B	\$46	Renal physician organization
4/20/2021	Tesseract Health	Foresite Capital, Glenview Capital, and Opaleye	Series B	\$80	Eye-imaging diagnostic technology platform
4/19/2021	Virta Health	Tiger Global (lead)	Series E	\$133	Virtual diabetes disease management platform
4/15/2021	Medable	Sapphire Ventures (lead), Obvious Ventures, GSR Ventures, PPD, and Streamlined Ventures	Undisclosed	\$78	Digital and decentralized clinical trial solutions
4/14/2021	Bencling	Sequoia Capital (lead), Altimeter Capital, Byers Capital, Elad Gil, Thrive Capital, Benchmark, Menlo Ventures, Alkeon Capital, ICONIQ, Lux Capital, Spark Capital and Lead Edge Capital	Series E	\$200	R&D cloud platform for the life science industry
4/13/2021	Cohere Health	Polaris Partners (lead), Longitude Capital, Deerfield Management, Flare Capital Partners and Define Ventures	Series B	\$36	Digital health plan solutions
4/12/2021	Tend	Addition (lead), GV, Juxtapose, Redpoint and Zigg Capital	Series C	\$125	New York City based dentist clinic
4/7/2021	Firefly Health	Andreessen Horowitz (lead), F-Prime Capital and Oak HC/FT	Series B	\$40	Artificial intelligence-based platform that connects patients and health care professionals



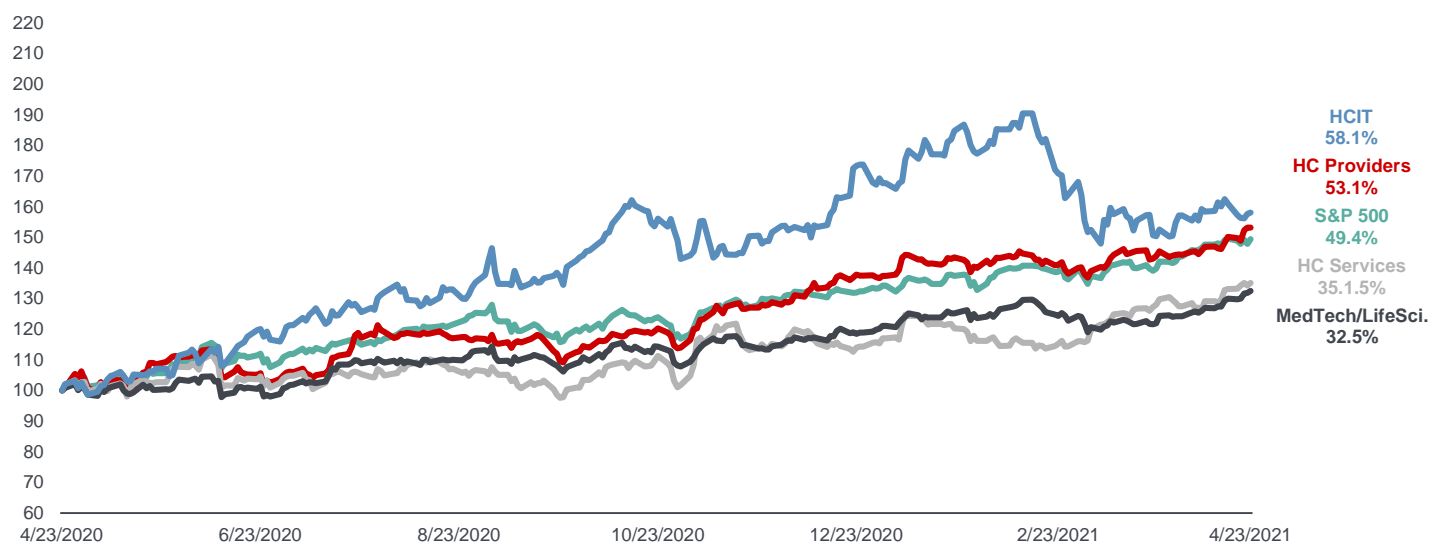
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of April 23, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	34,201	34,043	44.8%	(0.5%)
S&P 500	4,185	4,180	49.4%	(0.1%)
NASDAQ	14,052	14,017	65.0%	(0.3%)
Russell 2000	2,263	2,272	87.1%	0.4%
NYSE Healthcare	21,176	21,505	24.4%	1.6%

Cain Brothers Indices	Returns	
	52 Week	Weekly
Acute Care	89.4%	2.3%
Alternate Site Services	28.1%	1.4%
Diagnostics	67.0%	1.7%
Distribution	42.8%	1.7%
Healthcare IT	58.1%	(1.9%)
Healthcare REITs	56.0%	0.4%
Managed Care	35.8%	1.9%
Medical Technology	28.9%	1.8%
Outsourced Services	72.6%	1.4%
Pharma Services	75.4%	3.3%
Pharmacy	23.5%	0.0%
Post-Acute Care	49.7%	1.0%

## Cain Brothers Core Healthcare Indices (1YR Performance)



## Recent Selected Healthcare IPOs and Follow-Ons (\$MM)

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. <sup>1</sup>	Offer Price	Current / Offer	Description
Agility (AGTI)*	4/23/2021	IPO	\$368	\$2,040	\$14.00	17.1%	Medical equipment management and service solutions
Treace Medical Concepts (TMCI)	4/23/2021	Follow On	\$106	\$1,322	\$17.00	50.2%	Orthopedic medical devices and biologic solutions
SeaSpine (SPNE)	4/19/2021	Follow On	\$88	\$709	\$19.50	12.9%	Spinal surgical solutions
Agilon Health (AGL)	4/15/2021	IPO	\$1,072	\$11,545	\$23.00	36.5%	Partners with physicians to create their own Medicare-centric globally capitated line of business
Phreesia (PHR)*	4/9/2021	Follow On	\$225	\$2,611	\$50.00	5.3%	Healthcare IT solutions
Alignment Healthcare (ALHC)	3/25/2021	IPO	\$39	\$3,232	\$18.00	37.3%	Tech-enabled Medicare Advantage company
Oscar Health (OSCR)	3/3/2021	IPO	\$1,184	\$5,089	\$39.00	(41.5%)	Technology-driven health insurance company
InnovAge (INNV)	3/4/2021	IPO	\$350	\$3,207	\$21.00	20.7%	Provider of the Program of All-inclusive Care for the Elderly (PACE)

# Tax-Exempt Debt Markets

## Tax-Exempt Debt Information as of April 23, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	1.95%	1.95%	3.65%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.70%	1.70%	3.30%
SIFMA (Variable Rate Demand Notes)	0.06%	0.06%	0.36%
Revenue Bond Index	2.62%	2.62%	2.75%
SIFMA/ 1Month LIBOR	54.55%	50.00%	50.00%
RBI/30 Yr Treasury (%)	116.44%	115.93%	216.54%
30-Yr Floating to Fixed Sway (81% LIBOR)	1.56%	1.57%	0.71%

## Tax-Exempt Healthcare Issuance Information<sup>1</sup> (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
Stanford Health Care**	\$365.100	CA	Aa3 / AA- / AA	2051	MWC	3.03%	3.03%	N/A	2.26%
Stanford Health Care	\$157.715	CA	Aa3 / AA- / AA	2054	2025 (P)	3.00%	0.42%	N/A	1.55%
The Carle Foundation***	\$456.310	IL	NR / AA- / AA-	2048	2031 (C)	4.00%	2.02%	3.01	1.55%
The Carle Foundation	\$37.030	IL	NR / AA- / AA-	2053	2031 (P)	5.00%	1.33%	N/A	1.55%
Marion General Hospital	\$25.170	IN	NR / A / NR	2036	2031 (C)	4.00%	1.86%	2.44%	1.55%
<b>Total</b>	<b>\$518.510</b>								

\*Key: NC = No Call, MWC = Make Whole Call, (C) = Par Call, (P) = 1st Put, (R) = Reprice Date

\*\*Make whole at 20 bps

\*\*\*Overlapping final maturity w/ cpn. / YTC / YTM of 3.00% / 2.42% / 2.73%

1. Bloomberg, Capital IQ

## What's On Deck: Tax-Exempt Healthcare Issuances<sup>1</sup> (\$MM)

Issuer	Date	Amount	Rating
Tift County Hospital Authority (Georgia) Refunding Revenue Anticipation Certificates (Tift Regional Health System, Inc. Project) Federally Taxable Series 2021	4/27/2021	\$73.600	Aa2 / NR / NR
Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (Bethesda Health Group, Inc.), Series 2021	4/28/2021	\$20.215	NR / NR / BBB

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

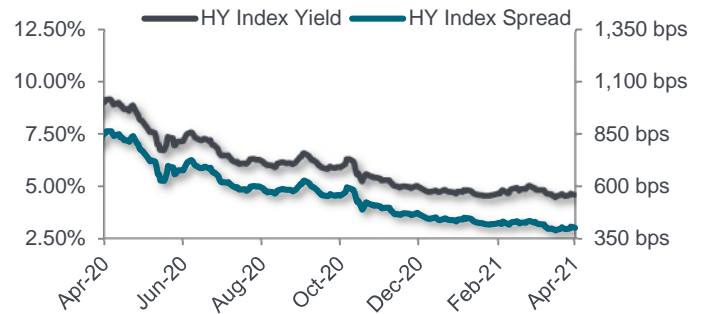
### High Yield

- Last week saw a \$1.3 billion outflow, following the prior week's outflow of \$132 million; net outflows total \$8.7 billion YTD, which follows \$44.9 billion of net inflows in 2020

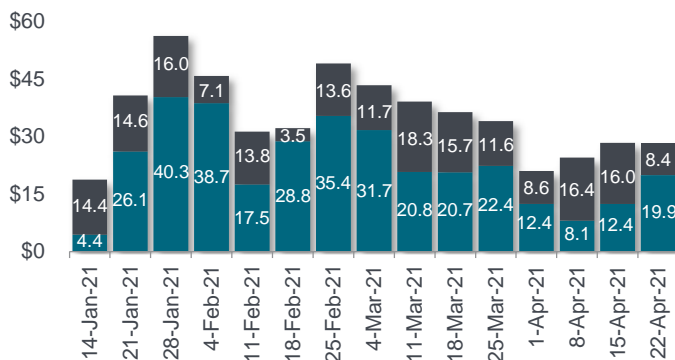
### Leveraged Loans

- Leveraged loan funds saw a \$1.1 billion inflow last week, marking the 15<sup>th</sup> consecutive inflow of 2021; net inflows total \$13.0 billion YTD, which follows \$27.0 billion of net outflows in 2020
- The leveraged loan primary market saw 29 deals price last week for \$19.9 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



## New-Issue Clearing Yields<sup>1</sup> (\$MM)

	4Q20	1Q21	30-Day Rolling Average		
			February 2021	March 2021	04/22/21
Overall	5.32%	4.40%	4.34%	4.59%	4.87%
4B	4.00%	3.00%	2.93%	3.24%	3.43%
2B	5.41%	4.63%	4.54%	4.97%	5.13%
Middle Market	6.02%	4.79%	4.29%	5.29%	4.56%

## Most Recent Healthcare High-Grade Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
3/25/2021	AmerisourceBergen	Sr Notes	\$1,525	Baa2 / A- / A-	0.737%	3/15/2023	+60	25 bps
3/25/2021	AmerisourceBergen	Sr Notes	\$1,000	Baa2 / A- / A-	2.700%	3/15/2031	+110	8 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	2.700%	3/15/2031	+110	25 bps
3/24/2021	STERIS	Sr Notes	\$675	Baa2 / BBB- / NR	3.750%	3/15/2051	+145	25 bps
3/16/2021	Illumina Inc	Sr Notes	\$500	Baa3 / BBB / NR	0.550%	3/23/2023	+40	20 bps

## Most Recent Healthcare High-Yield Issuances (\$MM)

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
4/22/2021	Jazz Pharma	Sr. Sec. Notes	\$1,500	Ba2/BB+	4.375%	1/15/2029	298 bps	4.625% area
4/8/2021	Organon	Sr. Sec. Notes	\$2,100	Ba2/BB	4.125%	4/30/2028	282 bps	4.125%-4.25%
4/8/2021	Organon (€)	Sr. Sec. Notes	\$1,475	Ba2/BB	2.875%	4/30/2028	344 bps	3.00% area
4/8/2021	Organon	Sr. Notes	\$2,000	B1/BB-	5.125%	4/30/2031	348 bps	5.125%-5.25%
4/8/2021	Lannett	1st Lien Notes	\$350	B1/B	7.750%	4/15/2026	691 bps	7.75%-8.00%

## Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
4/23/2021	Jazz Pharmaceuticals Plc	Public	Ba3/BB-	Acquisition	\$3,100	L+350, 0.50% @ 99.5	4.125%
4/23/2021	Resonetics LLC	GTCR Golder Rauner	B3/B-	Refinancing	\$360	L+400, 0.75% @ 99.5	4.875%
4/16/2021	OB Hospitalist Group Inc	Gryphon Investors	NR/NR	Recap/Dividend	\$100	L+425, 1.00% @ 99.5	5.375%
4/9/2021	One Call Care Management Inc	Kohlberg, Kravis & Roberts	B3/B-	Refinancing	\$700	L+550, 0.75% @ 98	6.750%
4/8/2021	Organon & Co.	Not Sponsored	Ba2/BB	Spinoff	\$3,000	L+300, 0.50% @ 99.5	3.625%

## Healthcare News

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### **CMS Gives Massive \$80M Increase to Navigators for 2022 Coverage Plan Year<sup>1</sup>**

**Fierce Healthcare | April 23, 2021**

The Biden administration will give Affordable Care Act (ACA) navigators \$80 million for the 2022 plan year, reversing slides in funding that occurred during the Trump administration. The Centers for Medicare & Medicaid Services (CMS) announcement Wednesday comes as the Biden administration has made several moves to bolster the ACA, including boosting subsidies and extending a special enrollment period through August for anyone impacted by the pandemic. "This eight-fold increase in navigator funding will help consumers deciding whether to enroll or continue their healthcare coverage through HealthCare.gov during the open enrollment period this fall," Department of Health and Human Services Secretary Xavier Becerra said in a statement on Wednesday. Navigators are trained to assist people in coverage decisions and to perform outreach for ACA sign-ups. Some navigators can also assist other types of coverage sign-ups such as Medicaid eligibility.

### **Survey Casts Doubt on Utility of Wearable Devices in Healthcare<sup>2</sup>**

**Healthcare Dive | April 22, 2021**

A new report by Forrester Research on wearables in healthcare concludes such devices assist consumers rather than clinicians, and that their shortcomings are numerous. The report was based on interviews with more than 40 patients and physicians. "These products neither promise nor deliver healthcare. Why? They offer data, not answers to consumer questions, diagnoses, or treatment suggestions to help restore one's health," the report said. The issue with wearables is compounded by an issue that has been the demise of many technological advances in healthcare: Physicians are uninterested in monitoring information obtained remotely. The bearish report concludes that "consumer technology and data may never play a leading role in helping physicians provide healthcare. "The wearables market is diverse, ranging from high hopes for devices to control diabetes to reimbursement doubts for long-term cardiac monitoring to fitness trackers like the Apple Watch.

### **Health Funding Shatters Records in Q1, Hits All-Time High of \$31.6B<sup>3</sup>**

**Healthcare Dive | April 20, 2021**

Healthcare equity funding smashed previous records in the first quarter of this year, hitting an all-time global high of \$31.6 billion, according to a new report from CB Insights. Funding in the digital health sector specifically, which has seen unprecedented investor interest during COVID-19, also hit a new high of \$9 billion, according to the report released Tuesday. Telehealth companies raised a record \$4.2 billion across 32 countries, the most ever recorded. Deal count increased by 10% sequentially at 139 overall but didn't surpass a record set in the third quarter last year, which saw 166 deals. Healthcare artificial intelligence players also set a record, raising about \$2.5 billion, with back-office automation and pharmaceutical R&D applications attracting major funding.

## Healthcare News Continued...

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### Healthcare Employment Steadily Rebounding, though Hospitals Left Out<sup>1</sup>

Healthcare Dive | April 19, 2021

Healthcare employment is rebounding from the job losses created by COVID-19, but the overall numbers still trail pre-pandemic levels, according to new data released by the Altarum Institute. Overall sector employment at the end of the first quarter of 2021 was down by 44,000 compared to the end of last year. Hospital employment has sunk for three consecutive months, according to the Altarum data, and is down 37,000 jobs since the end of last year. Also down are jobs in nursing and long-term care facilities. By contrast, jobs in ambulatory care were up significantly. But overall, healthcare jobs are down by more than 500,000 compared to the peak in February of last year. Meanwhile, national healthcare spending was flat compared to last year. Healthcare prices grew modestly during that same period, according to Altarum.

### Industry Voices—Striking the Balance of Cybersecurity, Interoperability and Digital Health<sup>2</sup>

Fierce Healthcare | April 14, 2021

In today's ever-evolving digital landscape, investing and implementing cybersecurity measures is more important than ever as COVID-19 continues to create new challenges for healthcare organizations of all sizes. Health systems are responsible for striking the balance between empowering providers and patients to make informed decisions together while ensuring every piece of information is secure, private and never vulnerable to attack. Many health IT solutions have been developed and quickly implemented since the COVID-19 pandemic was declared. Security leaders face the challenge of upholding regular protocols for new technology within environments that demand rapid change.

### Why Some Experts are Concerned about Mental Health Apps<sup>3</sup>

Fierce Healthcare | April 21, 2021

The digital mental health space was growing rapidly even before the COVID-19 pandemic, but stress and anxiety brought on by the health crisis have accelerated demand for virtual behavioral health services. The success of digital mental health startups means that more people can access mental wellness than were potentially able to do so before. Some investors have raised concerns about the potential downsides of venture backed-digital health companies and the risks to patients. "I worry about the general standard in digital health broadly and particularly mental health. I think we see companies making claims that may and or may not be sustainable by internal data at scale. They can take a small subset of the population and position it as telling the story or they are talking about clinical measures that are not clinically meaningful."

1. <https://www.healthcaredive.com/news/healthcare-employment-steadily-rebounding-though-hospitals-left-out/598593/>

2. <https://www.fiercehealthcare.com/hospitals/industry-voices-striking-balance-cybersecurity-interoperability-and-digital-health>

3. <https://www.fiercehealthcare.com/tech/digital-mental-health-market-booming-here-s-why-some-experts-are-concerned>