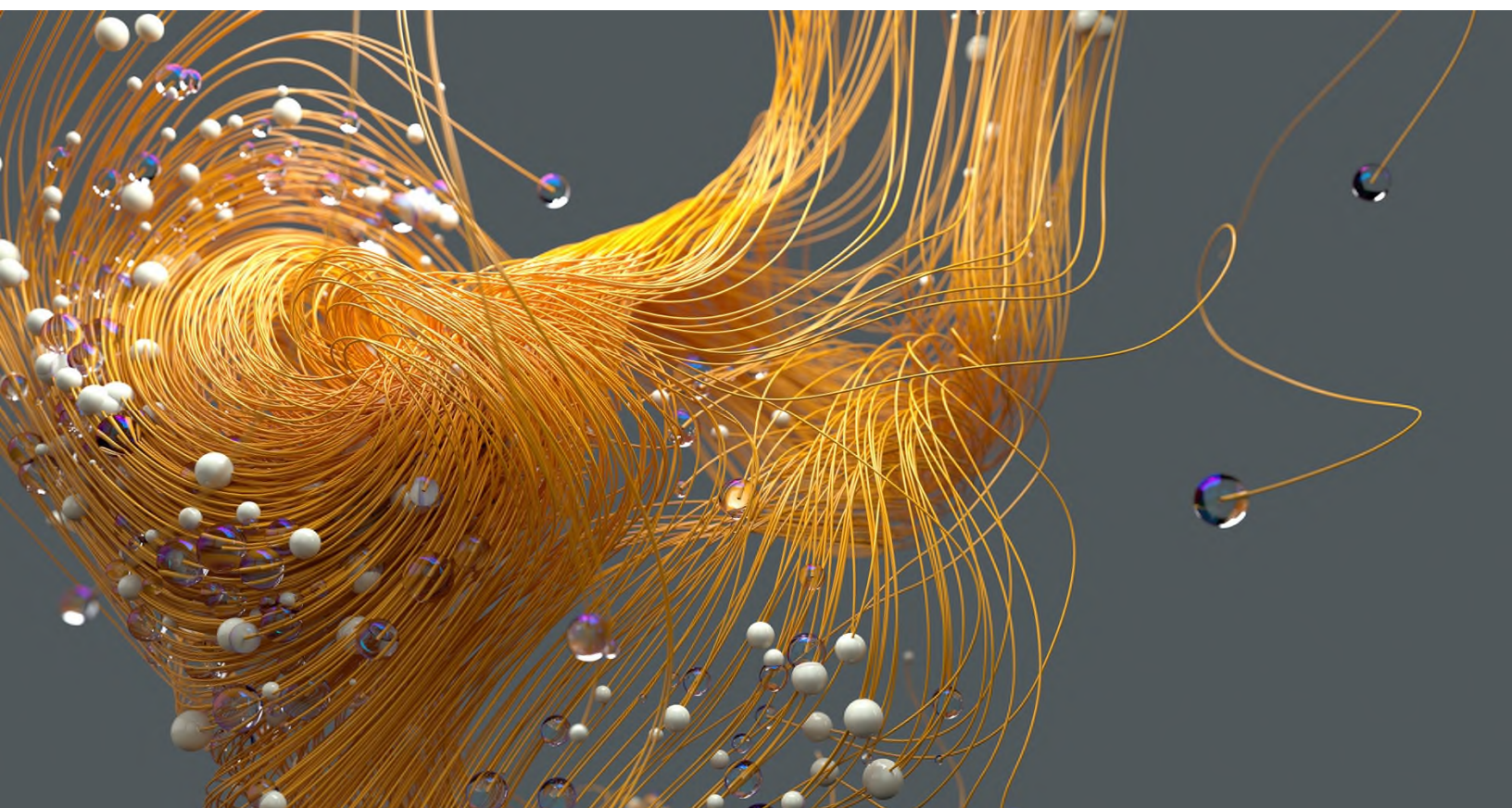


December 7, 2021

Cain Brothers Industry Insights

Healthcare Weekly Market Report



This week's banker commentary:

Four Ways that Private Equity and Venture Capital are Disrupting Hospitals and Health Systems

Industry Insights

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Four Ways that Private Equity and Venture Capital are Disrupting Hospitals and Health Systems

Banker Commentary by Aaron Newman

Traditionally hospitals and health systems have been the nexus of care delivery for their communities. When patients have an episode of care, their likely first call was to their provider affiliated with a local hospital. And despite consolidation of hospitals and health systems over the past decade, this dynamic has remained intact until recently. Over the past several years, private equity and venture capital investment has significantly disrupted the legacy business model of hospitals and health systems. In 2020 alone, global private equity dry powder was estimated at \$3 billion, with healthcare accounting for approximately 18% of reported deals. Moreover, healthcare private equity deal volume increased by ~21% in 2020 and is on pace to surpass this level of activity in 2021. As a result, hospitals and health systems must understand and evaluate the following four ways that private equity and venture capital are fundamentally disrupting their business models and proactively assess strategic alternatives to fortify their market position.

Growth in Medicare Advantage

Traditionally, Medicare fee for service patients have been a significant, yet low margin, source of revenue for hospitals. This dynamic is due to Medicare's low reimbursement rates, coupled by an aging U.S. population driving an increasing percentage of Medicare volume relative to total payor mix. In addition, Medicare eligible populations often have a higher prevalence of chronic conditions with associated high costs of care. According to recent CMS data, while representing only 15% of the U.S. population, the Medicare eligible cohort group accounts for 34% of all healthcare spending.

In an effort to solve this conundrum, there has recently been an emergence of provider organizations, such as Chicago-based Oak Street Health (NYSE: OSH), focused on transforming care delivery for the Medicare population, specifically Medicare Advantage enrollees. Oak Street Health, which was initially backed by private equity firms General Atlantic and Harbour Point Capital, went public in August 2020 via a \$328 million IPO offering. The company aims to solve the high-cost, high-acuity, poor outcomes dynamic through a team-based primary care delivery model aimed at enhanced patient-provider engagement through tech-enabled solutions resulting in reduced hospitalizations and emergency room volume. As of Q3 2021, Oak Street Health operates 110 locations in 31 markets covering 132,000 patients.

Industry Insights

Physician Aggregation

Historically, physicians have had a limited number of options with regards to their employment model – become a hospital employee, have a contractual arrangement with a hospital, such as a professional services agreement, or be on a partnership track with an independent physician practice. However, over the past several years there has been rapid consolidation of physicians fueled by private equity and other for-profit healthcare companies. In 2020 alone, there were 188 reported M&A deals in physician services, an increase of 40% relative to the 10-year average.

Provider organizations such as Summit Health, backed by global private equity firm Warburg Pincus, are rapidly consolidating markets and offering physicians a different employment and ownership option. Specifically, Summit Health has experienced rapid growth fueled by a billion-dollar plus buy-out from Warburg Pincus in 2019. As of today, Summit Health has more than 2,000 providers, 8,000 employees and over 200 locations in the ultra-competitive New Jersey and New York market.

Delivery of Care at Lowest Cost Setting

Hospital and health systems have struggled over the past decade to maintain strong operating margins due to a myriad of external pressures. The legacy brick and mortar business model has innately high fixed costs resulting from depreciation and debt service. Moreover, labor costs have recently precipitously increased due to shortages caused by the Covid-19 pandemic. This dynamic has resulted in insurance companies using reimbursement rates to incentivize care delivery at lower cost settings, which frequently results in more convenient care and improved patient outcomes.

One area that has experienced a transformation in care delivery is home health and hospice, as demonstrated by Amedisys (NASDAQ: AMED) \$250 million acquisition of Contessa Health in June 2021. Contessa Health, backed by BlueCross BlueShield Venture Partners and other notable venture capital firms, is an innovative provider organization that has developed tech-enabled solutions and advanced data analytics that result in superior care management for a challenging patient population. Contessa will expand Amedisys hospice business line and be among the first home-based care companies to offer hospital or skilled nursing at home on a national scale.

Disruption from Non-Traditional Care Providers

The traditional hospital business model has utilized primary care physicians as the gatekeeper for patient access to other episodes across the system of care delivery, such as specialty, tertiary, or quaternary cases. Hospitals, however, lack the focus on convenience that consumer desire, resulting in longer than wanted wait times for patients. In addition, hospitals traditionally have needed to subsidize their primary care provider networks as loss leaders in their broader systems of care delivery.

In response to consumer preferences, there has been a shift in the primary care delivery model led by non-traditional care providers such as CVS Health and Walgreens. Both companies, historically pharmacy-based chains, have utilized their nationally scaled retail footprint as access points to capitalize on the changing needs of consumers/patients for convenient care delivery in a low-cost setting. For example, Walgreens has recently expanded its partnership with Chicago-based VillageMD by investing an additional \$5.2 billion in the private equity and venture capital-backed company, bringing Walgreens's ownership stake from 30% to 63%. VillageMD provides primary care services across 15 markets to more than 1.6 million patients. The investment by Walgreens will fund the opening of roughly 600 VillageMD locations across Walgreens's retail platform by 2025 in more than 30 markets across the U.S.

These four trends, amongst numerous others often driven by private equity and venture capital investment, will continue to provide significant challenges to the legacy hospital and health system landscape.

Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
12/3/2021	Provation Software (Clearlake Capital Group)	Fortive (NYSE: FTV)	\$1,425	13.0x	NA	Provider of clinical workflow software solutions used in hospitals and ASCs
12/3/2021	ReCept	Omnicell (Nasdaq:OMCL)	\$100	4.2x	NA	Provider of specialty pharmacy management services for health systems, clinics, and physician groups
12/3/2021	Resonetics	Carlyle (majority stake) and GTCR (exiting investor)	\$2,250	NA	NA	Provider of micro-manufacturing for innovative medical devices in high-growth therapeutic areas and end markets
12/2/2021	Katena Products (Audax Private Equity)	Corza Medical (GTCR)	NA	NA	NA	Ophthalmic products used across cataract, glaucoma and corneal surgeries
11/30/2021	EMS Management & Consultants	BV Investment Partners	NA	NA	NA	Provider of revenue cycle management services to emergency medical services companies
11/30/2021	Trinity Life Sciences (Parthenon Capital)	Kohlberg & Company	NA	NA	NA	Provider of global life sciences commercialization solutions
11/22/2021	American Health Staffing Group (BelHealth Investment Partners)	Littlejohn & Co	NA	NA	NA	Provider of healthcare talent and technology solution
11/22/2021	athenahealth (Veritas Capital and Evergreen Coast Capital)	Hellman & Friedman and Bain Capital	\$17,000	NA	NA	Provider of cloud-based enterprise software solutions for medical groups and health systems
11/22/2021	Silver Linings Hospice Care	Charter Healthcare Group (Pharos Capital Group)	NA	NA	NA	Provider of hospice care in New Mexico
11/22/2021	StateServ Medical	WindRose Health Investors	NA	NA	NA	Provider of durable medical equipment benefit management solutions to the post-acute care market
11/19/2021	InnovaCare Health (Bain Capital Private Equity)	Bain Capital Private Equity	NA	NA	NA	Provider of integrated and value-based healthcare services
11/18/2021	Alliance Pharma	Ampersand Capital Partners	NA	NA	NA	Large and small molecule bioanalytical services
11/18/2021	Life Science Logistics	Blackstone Tactical Opportunities	NA	NA	NA	Provider of healthcare supply chain solutions
11/17/2021	BioAgilytix	Cinven (majority stake)	NA	NA	NA	Global contract research organization
11/16/2021	Genesis Research	GHO Capital	NA	NA	NA	Provider of tech-enabled Real-World Evidence and Health Economics and Outcomes Research services
11/16/2021	U.S. Endodontics Partners (Thurston Group)	Quad-C Management	NA	NA	NA	Endodontic platform with 80 offices in 28 states
11/15/2021	Behavioral Learning Center	The Stepping Stones Group (Five Arrows)	NA	NA	NA	Therapeutic and behavioral company
11/15/2021	Colorado Springs Urological Associates	Solaris Health (Lee Equity Partners)	NA	NA	NA	Provider of independent urological services

Healthcare Equity Private Placements Activity

Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
12/1/2021	Iodine Software	Advent International	Strategic Growth	Valuation ~\$1 bln	Provider of clinical AI solution for highly accurate capture of patient documentation
11/23/2021	Luma Health	FTV Capital	Series C	\$130	Patient engagement platform
11/17/2021	aptihealth	Takeda Digital Ventures, Pivotal Life Sciences, Vista Credit Partners, Olive Tree Ventures, Claritas Capital, and What If Ventures	Series B	\$50	Tech-driven behavioral health provider
11/16/2021	Trella Health	Cressey & Company (lead) and Panoramic Ventures	Undisclosed	Undisclosed	Provider of healthcare growth insights and performance analytics data
11/8/2021	Enhance Health	Bain Capital Insurance	Undisclosed	\$150	Digital health insurance brokerage and care navigation platform focused on serving the Medicare Advantage market
11/2/2021	Infusion for Health	Oak HC/FT (lead), Cimarron Healthcare Capital	Undisclosed	\$50	Network of ambulatory infusion centers
11/1/2021	Convergent Dental	Arboretum Ventures (lead), Long River Ventures and the Gund Foundation	Series C	\$40	Dental equipment company
10/26/2021	Medable	Blackstone Growth and Tiger Global (co-leads), GSR Ventures, Sapphire Ventures and WTI	Series D	\$304.0 \$2.1 bln valuation	Patient-focused clinical research company offering a cloud offering for adoption of digital and decentralized clinical trials
10/26/2021	Stride	King River Capital (lead), Mastercard, Allstate, Venrock, NEA, and Fidelity's F-Prime Capital	Series C	\$47	Portable benefits for independent workers for independent workers
10/21/2021	Workit Health	Insight Partners (lead), CVS Health Ventures, FirstMark Capital, BCBS Venture Fund, and 3L Capital	Series C	\$118	Provider of virtual substance use disorder treatment
10/20/2021	Bardavon Health Innovations	Matrix Capital Management (lead), WestCap	Series C	\$90	Workers' compensation and musculoskeletal health company
10/20/2021	Saama Technologies	Carlyle, Amgen Ventures, Intermountain Ventures, Merck Global Health Innovation Fund, McKesson Ventures, Northpond Ventures, Pfizer Ventures, and Population Health Partners	Strategic and Majority Sta	\$430	AI-driven intelligent clinical cloud company serving the life science industry
10/19/2021	HistoWiz	Vivo Capital (lead), venBio, Asahi Kasei and Jon Oringer	Series A	\$32	Digital histopathology service company
10/14/2021	VillageMD	Walgreens Boots Alliance	Undisclosed	\$5,200	Provider of value-based primary care services
10/13/2021	Lark Health	Deerfield Management (lead), PFM Health Sciences, Franklin Templeton, King River Capital, Castlepeak, IPD and Olive Tree Capital	Series D	\$100	AI solutions for virtual chronic and preventative healthcare
10/13/2021	Lively	B Capital Group (lead), Telstra Ventures and Costanoa Ventures	Series C	\$80	Modern health savings account
10/13/2021	Sprinter Health	Andreessen Horowitz (lead), General Catalyst, Accel and Google Ventures	Series A	\$33	On-demand mobile health company that sends full-time nurses and phlebotomists into the home
10/12/2021	Oshi Health	Flare Capital Partners, Bessemer Venture Partners and Frist Cressey Ventures (co-leads), CVS Health Ventures and Takeda Digital Ventures	Series A	\$23	Virtual, patient-centered gastrointestinal care
10/11/2021	Bond Vet	Warburg Pincus	Undisclosed	\$170	Tech-enabled brand of veterinary care clinics

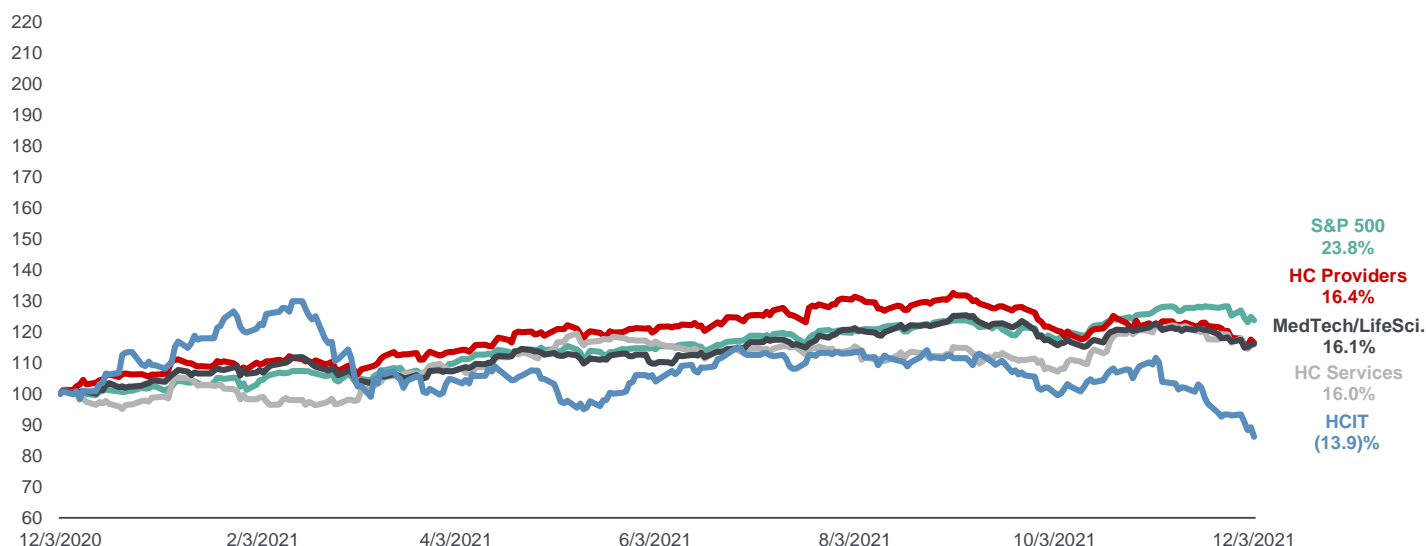
Public Equity Capital Markets Activity & Indices

Equity Indices Information as of December 3, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	34,899	34,580	15.4%	(0.9%)
S&P 500	4,595	4,538	23.8%	(1.2%)
NASDAQ	15,492	15,085	21.9%	(2.6%)
Russell 2000	2,246	2,159	16.8%	(3.9%)
NYSE Healthcare	23,190	22,664	18.3%	(2.3%)

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	44.1%	(1.3%)
Alternate Site Services	(10.8%)	(0.3%)
Diagnostics	23.9%	(1.3%)
Distribution	9.3%	(2.5%)
Healthcare IT	(13.9%)	(7.4%)
Healthcare REITs	5.1%	(2.1%)
Managed Care	20.4%	(0.1%)
Medical Technology	12.5%	(0.3%)
Outsourced Services	18.5%	(2.8%)
Pharma Services	44.4%	(2.7%)
Pharmacy	20.4%	(0.2%)
Post-Acute Care	1.5%	(2.9%)

Cain Brothers Core Healthcare Indices (1YR Performance)



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

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. ¹	Offer Price	Current / Offer	Description
Paragon 28 (FNA)	10/15/2021	IPO	\$125	\$1,391	\$16.00	11.3%	Orthopedic medical device company
Cue Health (HLTH)	9/24/2021	IPO	\$200	\$2,875	\$16.00	(37.9%)	Consumer focused healthcare IT company
Definitive Healthcare (DH)	9/15/2021	IPO	\$420	\$4,288	\$27.00	44.7%	Healthcare commercial intelligence solutions
Avantor (AVTR)	9/15/2021	Follow On	\$875	\$25,884	\$42.00	(8.5%)	Critical products and services to customers in the biopharma and healthcare industries
Maravai LifeSciences (Nasdaq: MRVI)*	9/10/2021	Follow On	\$1,000	\$15,400	\$50.00	(16.0%)	Data and analytics technology and services to healthcare organizations

Tax-Exempt Debt Markets

Tax-Exempt Debt Information as of December 3, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	1.78%	1.81%	2.12%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.58%	1.61%	1.82%
SIFMA (Variable Rate Demand Notes)	0.05%	0.05%	0.10%
Revenue Bond Index	2.41%	2.47%	2.58%
SIFMA/1 Month LIBOR	50.00%	55.56%	66.67%
RBI/30 Yr Treasury (%)	142.60%	134.97%	149.13%
30-Year Floating to Fixed Swap (81% LIBOR)	1.28%	1.39%	1.10%

Tax-Exempt Healthcare Issuance Information¹ (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
Wise Health System ^(a)	\$26.855	TX	NR / BBB- / BBB-	2050	2031 (C)	4.00%	2.42%	3.27%	1.48%
Wise Health System ^(a) (Taxable)	\$20.105	TX	NR / BBB- / BBB-	2042	2031 (C)	3.63%	3.76%	N/A	1.76%
Green Oaks of Valparaiso Project	\$19.650	IN	NR / NR / NR	2041	2030 (C)	5.38%	5.38%	N/A	1.48%
Total	\$66.610								

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

a) 2034, 2041 and 2050 Tax-Exempt Maturities and \$20.105 million Taxable tranche insured by Assured Guaranty Municipal Corp.

1. Bloomberg, Capital IQ

What's On Deck: Tax-Exempt Healthcare Issuances¹ (\$MM)

Issuer	Date	Amount	Rating
Oregon Health and Science University Revenue Bonds Series 2021A (Green Bonds) (Tax-Exempt Fixed Rate)	12/9/2021	\$334.115	Aa3 / AA- / AA-
Oregon Health and Science University Revenue Bonds Series 2021B-1 and Series 2021B-2 (Tax-Exempt Long Term Bonds)	12/9/2021	\$92.695	Aa3 / AA- / AA-
California Municipal Finance Authority Revenue Bonds (Community Health System) Series 2021A	12/7/2021	\$261.845	A3 / A- / NR
California Municipal Finance Authority Revenue Bonds (Community Health System) Series 2021B (Federally Taxable)	12/7/2021	\$134.010	A3 / A- / NR
City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project) Series 2021	Week of	\$139.885	NR / NR / BBB
Missouri Health & Educational Facilities Authority Senior Living Facilities Revenue Refunding Bonds Series 2021 Bonds (Lutheran Senior Services)	12/8/2021	\$43.665	NR / NR / NR

1. Bloomberg, Capital IQ

Corporate High Grade, High Yield & Leveraged Loan Market

Market Overview

High Yield

- Last week saw a \$2.6 billion outflow, which follows the prior week's outflow of \$3.3 billion. YTD net outflows total \$17.4 billion, which compares to 2020 net inflows of \$44.9 billion

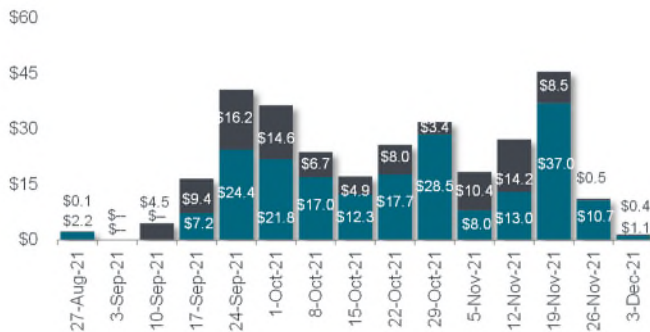
Leveraged Loans

- Leveraged loan funds posted only their second outflow in the last 46 weeks totaling \$495 million following three consecutive weeks encompassing the largest inflows since April

HY Index Yield & Spread (YTD)



Weekly New Issue Volume (\$B)



New-Issue Clearing Yields¹ (\$MM)

	2Q21	3Q21	30-Day Rolling Average		
			October 2021	November 2021	12/02/21
Overall	4.64%	4.78%	4.87%	4.63%	4.69%
4B	2.98%	3.45%	2.82%	3.61%	3.57%
2B	4.99%	5.02%	4.82%	4.78%	4.83%
Middle Market	5.15%	5.75%	5.82%	5.35%	5.97%

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
11/16/2021	Baxter International Inc	Sr Notes	\$800	Baa2 / BBB / NR	0.868%	12/1/2023	+35	15 bps
11/16/2021	Baxter International Inc	Sr Notes	\$300	Baa2 / BBB / NR	0.310%	12/1/2023	SOFR+26	15 bps
11/16/2021	Baxter International Inc	Sr Notes	\$1,400	Baa2 / BBB / NR	1.322%	11/29/2024	+45	15 bps
11/16/2021	Baxter International Inc	Sr Notes	\$300	Baa2 / BBB / NR	0.490%	11/29/2024	SOFR+44	15 bps
11/16/2021	Baxter International Inc	Sr Notes	\$1,450	Baa2 / BBB / NR	1.915%	2/1/2027	+65	15 bps
11/16/2021	Baxter International Inc	Sr Notes	\$1,250	Baa2 / BBB / NR	2.272%	12/1/2028	+75	20 bps
11/16/2021	Baxter International Inc	Sr Notes	\$1,550	Baa2 / BBB / NR	2.539%	2/1/2032	+90	20 bps
11/16/2021	Baxter International Inc	Sr Notes	\$750	Baa2 / BBB / NR	3.132%	12/1/2051	+110	20 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
11/16/2021	Tenet Healthcare	1st Lien Notes	\$1,450	B1/B+	4.375%	1/15/2030	284 bps	4.375% area
11/2/2021	Teva Pharmaceutical Industries (€)	Sr. Notes	\$1,269	Ba2/BB-	3.750%	5/9/2027	421 bps	4.00% area
11/2/2021	Teva Pharmaceutical Industries (€)	Sr. Notes	\$1,731	Ba2/BB-	4.375%	5/9/2030	465 bps	4.625% area

Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
11/23/2021	Eversana*	JLL Partners	B3 / B-	Acquisition	\$725	L+450, 0.50% @ 99.5	5.125%
11/22/2021	Soliant Health Inc	Olympus Partners	B2 / B+	Recap/Dividend	\$180	L+425, 0.75% @ 99.75	5.063%
11/18/2021	Duly Health & Care	Ares Management	B2 / B	Acquisition	\$80	L+325, 0.75% @ 99.5	4.125%

Healthcare News

Medicare Saw Telehealth Use Grow More than 6,000% During Pandemic¹

Modern Healthcare | December 3, 2021

The Health and Human Services Department found that Medicare visits held via telehealth increased 63-fold from 2019 to 2020 as a result of flexibilities put into place due to the COVID-19 public health emergency, according to a new HHS study. The Centers for Medicare and Medicaid Services will use the report's results to inform future Medicare telehealth policy, CMS Administrator Chiquita Brooks-LaSure said in a news release. Providers have been eager to see how lawmakers and policymakers will regulate telehealth once the PHE ends. Medicare payment advisors have suggested a temporary extension of flexibilities to allow time to study telehealth's impacts. CMS already expanded reimbursement for telehealth to treat mental health issues in the hospital outpatient payment rule last month. Beneficiaries were more likely to use telehealth for mental health services in 2020. Employers also increased access to telehealth in 2020.

Health Systems Reconfigure Workforce Amid Shortages²

Modern Healthcare | November 30, 2021

Hospital labor costs continue to rise as nurses seek higher pay, requiring providers to reconfigure their workforce. Total labor expenses rose 12.6% from October 2020 to October 2021, and 14.8% from October 2019 to October 2021, according to Kaufman Hall's analysis of around 900 hospitals. Full-time equivalents per adjusted bed decreased 4.5% year over year while labor expense per adjusted discharge increased 16.3%, suggesting higher salaries prompted by nationwide labor shortages are driving up labor expenses rather than increased staffing levels, the report concluded. Health Systems are tasking virtual registered nurses with administrative duties, like supervising non-licensed personnel, to relieve onsite RNs. CommonSpirit, for example, has used a team-based patient care model using pharmacists, licensed practical nurses, nursing assistants and paramedics in its Iowa division over the past year. It plans to roll out that model across the entire system over the next five years.

Physician Independent Owners Up 1% & More Notes from 2020 Study³

Becker's ASC Review | December 3, 2021

Physician ownership jumped up one percent from 2019 to 2020, according to the "2021 Physician and Advanced Practice Salary Report" by LocumTenens.com. The report is based on a May survey that received 2,300 responses from physicians and advanced practitioners in all 50 states. Of the surveyed physicians, 60 percent were employed in 2020, 11 percent were an independent owner or partner, and 22 percent were locum tenens/independently contracted exclusively. The number of physician independent owners was up 1 percent from 2019. Eighteen percent of physicians were in group practice in 2020 and 12 percent of advanced practitioners. Forty percent of physicians were hospital-employed in 2020 and 43 percent of advanced practitioners.

Healthcare News Continued...

Congress, Alongside Provider and Consumer Groups, Continues Spat Over Surprise Billing Ban Rules¹

Healthcare Dive | November 17, 2021

Payers and providers must start complying with the federal ban on surprise billing by Jan. 1, and the fight over rules implementing the ban is heating up as provider groups object to what they think is a favoring of insurers despite consumer groups supporting the current proposed arbitration process. Last year, Congress passed the No Surprises Act to shield patients from surprise medical bills — a persistent issue for American consumers receiving care from hospitals or doctors outside of their insurance networks. A key sticking point is the arbitration process, and how the qualifying payment amount (QPA) — determined by a plan's median in-network contracted rate for a geographic area — is used to arrive at rates for out-of-network providers.

Northwell Health Launches Patient Engagement Platform Developed by Health System Incubator²

Healthcare Finance | December 2, 2021

Northwell Health is partnering with Playback Health on a digital patient engagement platform that is being rolled out across the greater New York City health system. Northwell Ventures, the entrepreneurial arm of the health system, is leading the rollout of the Playback platform following a trial run at Glen Cove Hospital earlier this year. The software came out of the recognition that patients often have trouble digesting and remembering information provided during medical visits, especially when a clinician is sharing a stressful diagnosis or complex care plan. Patients can access their medical information, which has been curated by providers from the medical record, through replay. They can also share their information. Clinicians can create personalized care instructions using video, audio, pictures, and text to communicate a patient's diagnosis and care plan. For example, a clinician can include an MRI image or other test result and by video explain what it indicates about the patient's condition. Video calling allows clinicians to directly connect with patients for a telehealth consult and to touch base with others on the care team. All moments are captured and available for viewing by the patient and care team.

340B Advocates Urge HHS to Step Up Enforcement After Amgen Aims to Cut Off Access to Contract Pharmacies³

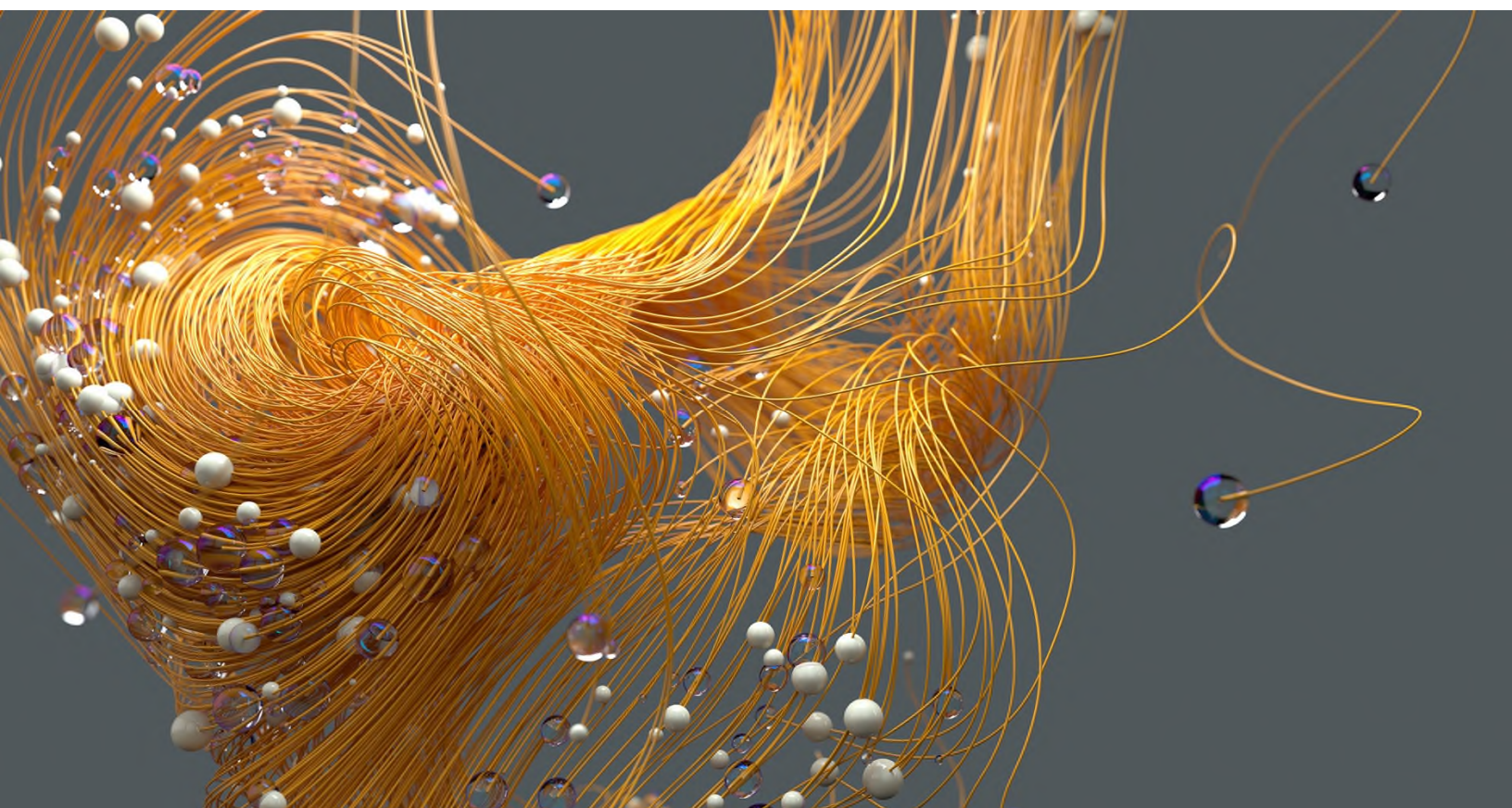
Fierce Healthcare | December 2, 2021

An advocacy group for covered entities under the 340B program is calling for the federal government to do more to stop drug makers from cutting off sales of discounted products to contract pharmacies. 340B Health called on the Biden administration to do more after reports that Amgen plans to cut off sales to contract pharmacies early next year. If the change goes through, Amgen will become the 10th drug maker to install such a restriction. "It is long past time for these unlawful actions to stop," said Maureen Testoni, president, and CEO of 340B Health, which represents more than 1,400 hospitals. "For the companies that the courts have ruled to be in noncompliance with the 340B law, we call on the administration to escalate enforcement actions in line with those decisions." Amgen's decision to cut off sales starting Jan. 3 comes roughly a week after UCB instituted a similar move, making them the ninth and 10th drug makers to cut off access. "In the decade since the Health Resources & Services Administration (HRSA) expanded its contract pharmacy policy, the number of contract pharmacy arrangements in the 340B program has grown by a staggering 4,000%," Amgen said. "More than 50% of the profits generated by contract pharmacies are retained by for-profit companies." The drug maker said it will only provide discounted products to the 340B covered entity with some exceptions.

December 14, 2021

Cain Brothers Industry Insights

Healthcare Weekly Market Report



This week's banker commentary:

The Changing Paradigm to Comprehensive Women's Care

Industry Insights

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The Changing Paradigm to Comprehensive Women's Care

Banker Commentary by Noah Diaz

The benefits of value-based care for patients, providers, and the U.S. healthcare industry are promising and well-established.

Alternative payment systems can improve patient health outcomes, while rewarding providers for delivering holistic evidence-based care. However, women's health is in the early stages of shifting to a value-based model, when compared to other areas of primary care, and women's health providers are working to narrow that gap by optimizing the patient experience for women.

Women's health has historically been side-lined as a niche market; however, tides have changed, and this can be attributed to a shift in women now being considered the main healthcare consumer. Women are not only playing an increasingly influential role across the healthcare continuum but also have higher purchasing power. For example, 90% of women are seen as the primary healthcare decision-makers for their family and key influencers for friends.¹ Furthermore, women 16 – 64 years old generate physician and clinical spend 66% higher compared to men², and pregnancy and childbirths account for 25% of all hospital admissions in the U.S.³ Healthcare professionals and providers recognize the need to enhance positive outcomes for women patients through consistent engagement and follow-ups, given that women are increasingly playing an active role in their care delivery and are key influencers in healthcare decision making.

Many women consider their OB/GYN as their primary care provider (particularly women 18 – 44 years old), giving an OB/GYN the opportunity to develop the longest-lasting physician-patient relationship of any practitioner for women. While 65% of women view their OB/GYN as their most trusted healthcare advisor and source of referrals for personal and family healthcare, it has been difficult to apply a value-based approach to existing OB/GYN care models. For instance, it is a lot easier to construct a bundle knee replacement compared to a child delivery package, especially since a lot of the costs have to do with a baby's health and outcomes. While healthcare professionals are working to solve this, there are significant sources of value-based opportunities in women's health that can be taken advantage of:

¹ Frost & Sullivan

² CMS, Office of the Actuary, National Health Statistics

³ Maven

Industry Insights

- **NICU:** ~50% of NICU days are used by low-risk newborns⁴
- **C-Sections:** +39% higher average c-section procedure costs than non-procedural births⁵
- **Pre-Term Births:** On average 7+ times greater cost for pre-term births than full-term births⁵
- **Pre-Natal ER Visits:** ER visits may cost up to 10 times more than urgent care for the same diagnosis⁶

Broader adoption of value-based care models in women's health will be driven not only by pressure to change from the government and from those who are ultimately responsible for healthcare costs (i.e., employers) but also from physicians and nurses who want to be a part of higher quality of care and will rally around quality. Healthcare professionals can accelerate the shift to value-based care for women's health by implementing bundled payments for maternity episodes, high-risk pregnancies, hysterectomy episodes, and population health initiatives, such as shared savings contracts, capitated arrangements, and quality metric rankings. Through these initiatives, women's health providers can achieve significant cost savings including reduced ultrasound over-utilization, appropriate C-section utilization, reduced unnecessary pre-natal ER visits, reduced pre-term births, and earlier intervention to reduce complications.

The potential for healthcare professionals to transition to a value-based women's care model is undoubtedly apparent; however, there is still significant progress to be made by all healthcare stakeholders to drive adoption. Currently, providers and payers are hindered by a lack of incentives to move away from the current system, and by taking a holistic approach to women's health through implementing cost-saving initiatives providers will not only build better relationships with their patients but also thrive under new value-based contracts.

The discussion on value-based care in women's health and broader industry trends was previously covered by Cain Brothers Managing Director, Christian Pesci, who delved deep into this in his recent Cain Brothers House Calls piece titled [Medicaid, Motherhood and America's Future: Giving Birth to Better Maternity Outcomes.](#)

⁴ 2019 Dartmouth Atlas of Neonatal Intensive Care Report

⁵ HCCI

⁶ Solv Health, Physicians Immediate Care, debt.org

Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
12/9/2021	Biocare Medical (Excellere Partners)	GHO Capital	NA	NA	NA	Immunohistochemistry and in situ hybridization reagents for cancer diagnosis and chromosomal profiling
12/9/2021	Guided Practice Solutions	Main Post Partners	NA	NA	NA	Dental service organization
12/9/2021	Resurgens Orthopaedics	Welsh, Carson, Anderson & Stowe	NA	NA	NA	Orthopaedic group providing comprehensive specialty care and ancillary services addressing all musculoskeletal needs
12/8/2021	Discover Vision Centers	Midwest Vision Partners (The Firmament Group)	NA	NA	NA	Provider of eyecare services in the Kansas City market
12/8/2021	UrgentMED	Quilvest Capital Partners	NA	NA	NA	Independent network of urgent care clinics in Southern California
12/7/2021	Raintree Systems	Serent Capital	NA	NA	NA	Provider of electronic health record and revenue cycle management software solutions to the therapy market
12/6/2021	PracticeTek	Lightyear Capital and Greater Sum Ventures	NA	NA	NA	Provider of vertical software and payments solutions to the retail healthcare market
12/6/2021	Veterinary Practice Partners (Pamlico Capital)*	Audax Private Equity	NA	NA	NA	Veterinary practice management group
12/6/2021	WillowWood Global (DW Healthcare Partners)	Blue Sea Capital	NA	NA	NA	Designer and manufacturer of a broad range of prosthetic products
12/3/2021	ORM Fertility*	Pinnacle Fertility (Webster Equity Partners)	NA	NA	NA	Provider of comprehensive fertility services to individuals and couples
12/3/2021	Provation Software (Clearlake Capital Group)	Fortive (NYSE: FTV)	\$1,425	13.0x	NA	Provider of clinical workflow software solutions used in hospitals and ASCs
12/3/2021	ReCept	Omnicell (Nasdaq:OMCL)	\$100	4.2x	NA	Provider of specialty pharmacy management services for health systems, clinics, and physician groups
12/3/2021	Resonetics	Carlyle (majority stake) and GTCR (exisiting investor)	\$2,250	NA	NA	Provider of micro-manufacturing for innovative medical devices in high-growth therapeutic areas and end markets
12/2/2021	Katena Products (Audax Private Equity)	Corza Medical (GTCR)	NA	NA	NA	Ophthalmic products used across cataract, glaucoma and corneal surgeries
11/30/2021	EMS Management & Consultants	BV Investment Partners	NA	NA	NA	Provider of revenue cycle management services to emergency medical services companies
11/30/2021	Trinity Life Sciences (Parthenon Capital)	Kohlberg & Company	NA	NA	NA	Provider of global life sciences commercialization solutions
11/22/2021	American Health Staffing Group (BelHealth Investment Partners)	Littlejohn & Co	NA	NA	NA	Provider of healthcare talent and technology solution

Healthcare Equity Private Placements Activity

Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
11/23/2021	Luma Health	FTV Capital	Series C	\$130	Patient engagement platform
11/17/2021	aptihealth	Takeda Digital Ventures, Pivotal Life Sciences, Vista Credit Partners, Olive Tree Ventures, Claritas Capital, and What If Ventures	Series B	\$50	Tech-driven behavioral health provider
11/16/2021	Trella Health	Cressey & Company (lead) and Panoramic Ventures	Undisclosed	Undisclosed	Provider of healthcare growth insights and performance analytics data
11/8/2021	Enhance Health	Bain Capital Insurance	Undisclosed	\$150	Digital health insurance brokerage and care navigation platform focused on serving the Medicare Advantage market
11/2/2021	Infusion for Health	Oak HC/FT (lead), Cimarron Healthcare Capital	Undisclosed	\$50	Network of ambulatory infusion centers
11/1/2021	Convergent Dental	Arboretum Ventures (lead), Long River Ventures and the Gund Foundation	Series C	\$40	Dental equipment company
10/26/2021	Medable	Blackstone Growth and Tiger Global (co-leads), GSR Ventures, Sapphire Ventures and WTI	Series D	\$304.0 \$2.1 bln valuation	Patient-focused clinical research company offering a cloud offering for adoption of digital and decentralized clinical trials
10/26/2021	Stride	King River Capital (lead), Mastercard, Allstate, Venrock, NEA, and Fidelity's F-Prime Capital	Series C	\$47	Portable benefits for independent workers for independent workers
10/21/2021	Workit Health	Insight Partners (lead), CVS Health Ventures, FirstMark Capital, BCBS Venture Fund, and 3L Capital	Series C	\$118	Provider of virtual substance use disorder treatment
10/20/2021	Bardavon Health Innovations	Matrix Capital Management (lead), WestCap	Series C	\$90	Workers' compensation and musculoskeletal health company
10/20/2021	Saama Technologies	Carlyle, Amgen Ventures, Intermountain Ventures, Merck Global Health Innovation Fund, McKesson Ventures, Northpond Ventures, Pfizer Ventures, and Population Health Partners	Strategic and Majority Stake	\$430	AI-driven intelligent clinical cloud company serving the life science industry
10/19/2021	HistoWiz	Vivo Capital (lead), venBio, Asahi Kasei and Jon Oringer	Series A	\$32	Digital histopathology service company
10/14/2021	VillageMD	Walgreens Boots Alliance	Undisclosed	\$5,200	Provider of value-based primary care services
10/13/2021	Lark Health	Deerfield Management (lead), PFM Health Sciences, Franklin Templeton, King River Capital, Castlepeak, IPD and Olive Tree Capital	Series D	\$100	AI solutions for virtual chronic and preventative healthcare
10/13/2021	Lively	B Capital Group (lead), Telstra Ventures and Costanoa Ventures	Series C	\$80	Modern health savings account
10/13/2021	Sprinter Health	Andreessen Horowitz (lead), General Catalyst, Accel and Google Ventures	Series A	\$33	On-demand mobile health company that sends full-time nurses and phlebotomists into the home
10/12/2021	Oshi Health	Flare Capital Partners, Bessemer Venture Partners and Frist Cressey Ventures (co-leads), CVS Health Ventures and Takeda Digital Ventures	Series A	\$23	Virtual, patient-centered gastrointestinal care
10/11/2021	Bond Vet	Warburg Pincus	Undisclosed	\$170	Tech-enabled brand of veterinary care clinics

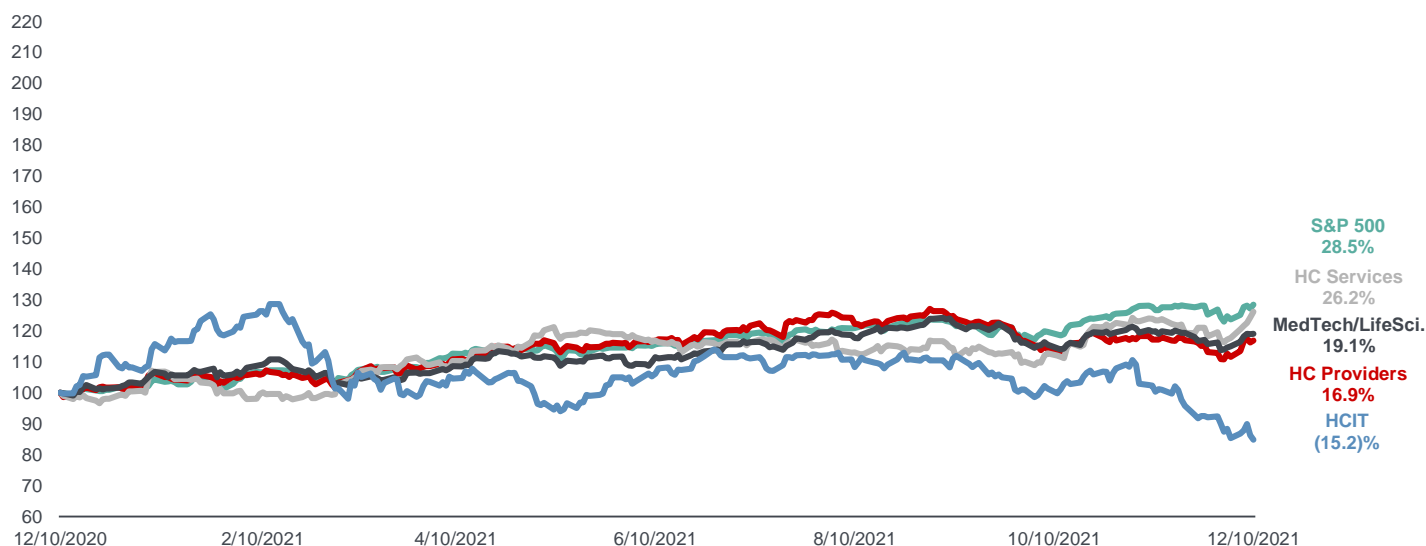
Public Equity Capital Markets Activity & Indices

Equity Indices Information as of December 10, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	34,580	35,971	19.9%	4.0%
S&P 500	4,538	4,712	28.5%	3.8%
NASDAQ	15,085	15,631	26.0%	3.6%
Russell 2000	2,159	2,212	15.0%	2.4%
NYSE Healthcare	22,664	23,177	16.8%	2.3%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	43.3%	6.0%
Alternate Site Services	(9.7%)	3.9%
Diagnostics	20.8%	1.8%
Distribution	14.4%	5.4%
Healthcare IT	(15.2%)	(0.7%)
Healthcare REITs	7.1%	2.2%
Managed Care	32.1%	7.3%
Medical Technology	15.5%	3.7%
Outsourced Services	17.2%	2.3%
Pharma Services	46.3%	2.3%
Pharmacy	31.4%	8.2%
Post-Acute Care	2.5%	5.6%

Cain Brothers Core Healthcare Indices (1YR Performance)



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

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. ¹	Offer Price	Current / Offer	Description
Paragon 28 (FNA)	10/15/2021	IPO	\$125	\$1,391	\$16.00	11.3%	Orthopedic medical device company
Cue Health (HLTH)	9/24/2021	IPO	\$200	\$2,875	\$16.00	(37.9%)	Consumer focused healthcare IT company
Definitive Healthcare (DH)	9/15/2021	IPO	\$420	\$4,288	\$27.00	44.7%	Healthcare commercial intelligence solutions
Avantor (AVTR)	9/15/2021	Follow On	\$875	\$25,884	\$42.00	(8.5%)	Critical products and services to customers in the biopharma and healthcare industries
Maravai LifeSciences (Nasdaq: MRVI)*	9/10/2021	Follow On	\$1,000	\$15,400	\$50.00	(16.0%)	Data and analytics technology and services to healthcare organizations

Tax-Exempt Debt Markets

Tax-Exempt Debt Information as of December 10, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	1.78%	1.78%	2.08%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.58%	1.58%	1.78%
SIFMA (Variable Rate Demand Notes)	0.06%	0.05%	0.09%
Revenue Bond Index	2.41%	2.41%	2.58%
SIFMA/1 Month LIBOR	54.55%	50.00%	60.00%
RBI/30 Yr Treasury (%)	128.19%	142.60%	158.28%
30-Year Floating to Fixed Swap (81% LIBOR)	1.41%	1.28%	1.03%

Tax-Exempt Healthcare Issuance Information¹ (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
Oregon Health and Science University ^(a)	\$338.380	OR	Aa3 / AA- / AA-	2051	2032 (C)	4.00%	1.98%	3.06%	1.48%
Oregon Health and Science University	\$45.990	OR	Aa3 / AA- / AA-	2046	2030 (P)	5.00%	1.26%	3.33%	1.48%
Oregon Health and Science University	\$45.970	OR	Aa3 / AA- / AA-	2046	2032 (P)	5.00%	1.42%	3.08%	1.48%
Community Health System	\$301.500	CA	A3 / A- / NR	2051	2032 (C)	4.00%	2.15%	3.12%	1.48%
Community Health System ^(b) (Taxable)	\$137.270	CA	A3 / A- / NR	2046	MWC	3.28%	3.28%	N/A	1.87%
Lutheran Senior Services	\$42.945	MO	NR / NR / BBB	2042	2032 (C)	4.00%	2.25%	2.96%	1.48%
Haverland Carter Lifestyle Group (Forward Delivery)	\$30.540	NM	NR / NR / BB+	2042	2032 (C)	4.00%	3.30%	3.58%	1.48%
Total	\$942.595								

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

a) Overlapping final maturity with Coupon / YTC / YTM of 3.00% / 2.41% / 2.74%

b) Insured by Assured Guaranty Municipal Corp.

1. Bloomberg, Capital IQ

What's On Deck: Tax-Exempt Healthcare Issuances¹ (\$MM)

Issuer	Date	Amount	Rating
Colorado Health Facilities Authority Revenue Bonds (Aberdeen Ridge), Series 2021	12/14/2021	\$138.995	NR / NR / NR
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2021 Oakwood Lutheran Senior Ministries	12/15/2021	\$116.250	NR / NR / NR
California Public Finance Authority Multifamily Taxable Mortgage-backed Bonds (M-TMBS) (Siesta Senior Apartments), Series 2021	12/16/2021	\$10.250	Aaa / NR / NR

1. Bloomberg, Capital IQ

Corporate High Grade, High Yield & Leveraged Loan Market

Market Overview

High Yield

- Last week saw a \$1.3 billion inflow, which follows the prior week's outflow of \$2.6 billion. YTD net outflows total \$16.1 billion, which compares to 2020 net inflows of \$44.9 billion

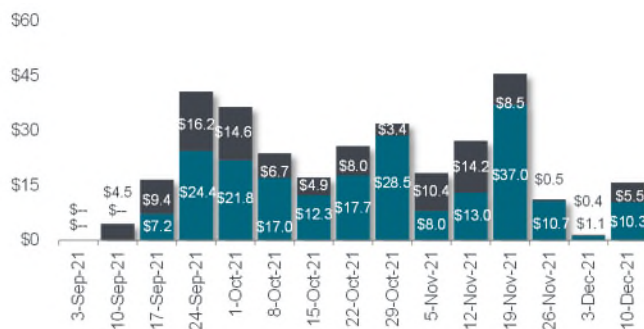
Leveraged Loans

- Leveraged loan funds posted only their third outflow (and the second consecutive outflow) in the last 47 weeks totaling \$50 million. This follows three consecutive weeks encompassing the largest inflows since April

HY Index Yield & Spread (YTD)



Weekly New Issue Volume (\$B)



New-Issue Clearing Yields¹ (\$MM)

	2Q21	3Q21	30-Day Rolling Average		
			October 2021	November 2021	12/09/21
Overall	4.64%	4.78%	4.85%	4.59%	4.68%
4B	2.98%	3.45%	2.82%	3.60%	3.39%
2B	4.99%	5.02%	4.82%	4.73%	4.84%
Middle Market	5.15%	5.75%	5.82%	5.35%	6.16%

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
12/7/2021	Merck & Co	Sr Notes	\$1,500	A1 / A+	1.700%	6/10/2027	+45	20 bps
12/7/2021	Merck & Co	Sr Notes	\$1,000	A1 / A+	1.900%	12/10/2028	+50	25 bps
12/7/2021	Merck & Co	Sr Notes	\$2,000	A1 / A+	2.150%	12/10/2031	+70	20 bps
12/7/2021	Merck & Co	Sr Notes	\$2,000	A1 / A+	2.750%	12/10/2051	+95	20 bps
12/7/2021	Merck & Co	Sr Notes	\$1,500	A1 / A+	2.900%	12/10/2061	+110	20 bps
12/6/2021	Roche Holdings Inc	Sr Notes	\$2,000	Aa3 / AA / AA	1.930%	12/13/2028	+55	20 bps
12/6/2021	Roche Holdings Inc	Sr Notes	\$2,000	Aa3 / AA / AA	2.076%	12/13/2031	+65	20 bps
12/6/2021	Roche Holdings Inc	Sr Notes	\$2,000	Aa3 / AA / AA	2.607%	12/13/2051	+85	20 bps
12/6/2021	Ecolab Inc	Sr Notes	\$500	A3 / A- / A-	0.900%	12/15/2023	+30	30 bps
12/6/2021	Ecolab Inc	Sr Notes	\$500	A3 / A- / A-	1.650%	2/1/2027	+45	25 bps
12/6/2021	Ecolab Inc	Sr Notes	\$650	A3 / A- / A-	2.125%	2/1/2032	+70	20 bps
12/6/2021	Ecolab Inc	Sr Notes	\$850	A3 / A- / A-	2.700%	12/15/2051	+95	20 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
11/16/2021	Tenet Healthcare	1st Lien Notes	\$1,450	B1/B+	4.375%	1/15/2030	284 bps	4.375% area
11/2/2021	Teva Pharmaceutical Industries (€)	Sr. Notes	\$1,269	Ba2/BB-	3.750%	5/9/2027	421 bps	4.00% area

Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
12/10/2021	US Radiology Specialists	Welsh Carson Anderson & Stowe	B3 / B-	Acquisition	\$1,234	L+525, 0.50% @ 99.25	5.940%
12/9/2021	Cloudmed*	New Mountain Capital	B3 / B-	Acquisition	\$240	L+425, 0.50% @ 99.5	4.875%
12/9/2021	Trustaff	Cornell Capital	B2 / B	Acquisition	\$150	L+375, 0.75% @ 99.75	4.563%

Healthcare News

Study: Medicaid Expansion Not A 'Panacea' For Solving Critical Access Hospitals' Financial Woes¹

Fierce Healthcare | December 10, 2021

Research published this week in Health Affairs noted that expanded Medicaid has been a contributing factor to improved financial health for hospitals. However, in a nationwide analysis, the researchers found no evidence that critical access hospitals in expansion states saw statistically significant improvements in margins, staffing or quality compared to those in non-expansion states. The study included 1,158 such facilities, with 648 in expansion states and 510 in non-expansion states. It didn't find a significant difference for the hospitals in expansion states on the share of Medicaid inpatient days or reductions in uncompensated care. It also didn't find a significant increase in operating margins. Critical access hospitals in expansion states also did not show a significant difference in the number of employed physicians or nurses, the study found. The findings suggest that while Medicaid expansion can be a boon for providers operating in rural or underserved areas, it will not address every challenge they face, the researchers said.

Health Services M&A Deals Surged In 2021²

Fierce Healthcare | December 10, 2021

Healthcare mergers and acquisitions surged in 2021, growing 56% in the 12 months through Nov. 15 versus 2020. There was particularly high growth among physician medical groups, which saw more than 400 deals, as well as managed care and rehabilitation subsectors, according to a new report from PwC. This compares to about 200 to 250 deals per year between 2017 and 2019. There's the potential for more consolidation and private equity roll-ups in 2022 and beyond as practices have experienced challenging economics and may face 2022 Centers for Medicare & Medicaid Services (CMS) payment cuts. Deal making in the health services sector could take new forms in 2022, however, as M&A deals could face more scrutiny and longer review times from regulatory agencies, both federal and state, given review backlogs and a July 2021 executive order that spotlighted antitrust enforcement of hospital consolidation, according to the report.

AI and Radiology: A Hard Slog Now, Leading to Sustained Advancements Later?³

Healthcare Innovation | December 12, 2021

At the RSNA Annual Conference, numerous educational sessions were devoted to issues around the adoption of artificial intelligence and machine learning. Radiologists, radiographers, and informaticists are discovering that the path forward on adopting artificial intelligence in imaging is turning out to be harder and more complex than first imagined. Discussion topics ranged from the application of AI algorithms to radiological diagnostics, workflow optimization, and radiographic management of diagnostic imaging procedures.

Healthcare News Continued...

Future Of Telehealth May Rely On Lawmakers Extending Emergency Measures¹

Becker's Hospital Review | December 8, 2021

The use of telehealth grew over the course of the pandemic, alerting healthcare providers to the benefits of the medical strategy. However, its future may rely on whether lawmakers decide to extend emergency measures introduced throughout the pandemic. In April 2021, 64 percent of households reported using a telehealth service over the last year and 40 percent reported interacting more with their healthcare provider as a result of telehealth. Many states have extended the temporary measures that allowed for more services to be conducted virtually and require public or private payers to cover it. However, CMS said it will evaluate other telehealth services before deciding whether to extend coverage beyond 2024. Some states' extensions of coverage are also not permanent, meaning the future of telehealth may depend on whether they become ingrained in policy post-pandemic.

The Future Of Patient Data: 3 Pillars of Successful Analytics Implementation²

Healthcare IT News | December 10, 2021

During the pandemic, large health systems were quick to adapt and manage various care and operational workflows. Data was saved, normalized, and analyzed from multiple sources. They brought together data from disparate sources and created supply chain workflows for delivering PPE kits, maintaining medical inventories, tracking patients in need of COVID-19 testing, improving virtual and telehealth platforms to care for routine visits, and installing remote devices to coordinate eldercare and vulnerable patient care. In the COVID-19 era, health systems recognize that existing data infrastructure is inadequate in meeting the different needs of several stakeholders. Large data volumes require three things to be useful: a place to live – hosting in a cloud, the ability to exchange it - interoperability, and a comprehension of the semantics or language - terminology standards.

From 340B To Short-Term Health Plans: Here Are The Top 4 Regulations To Watch For In 2022³

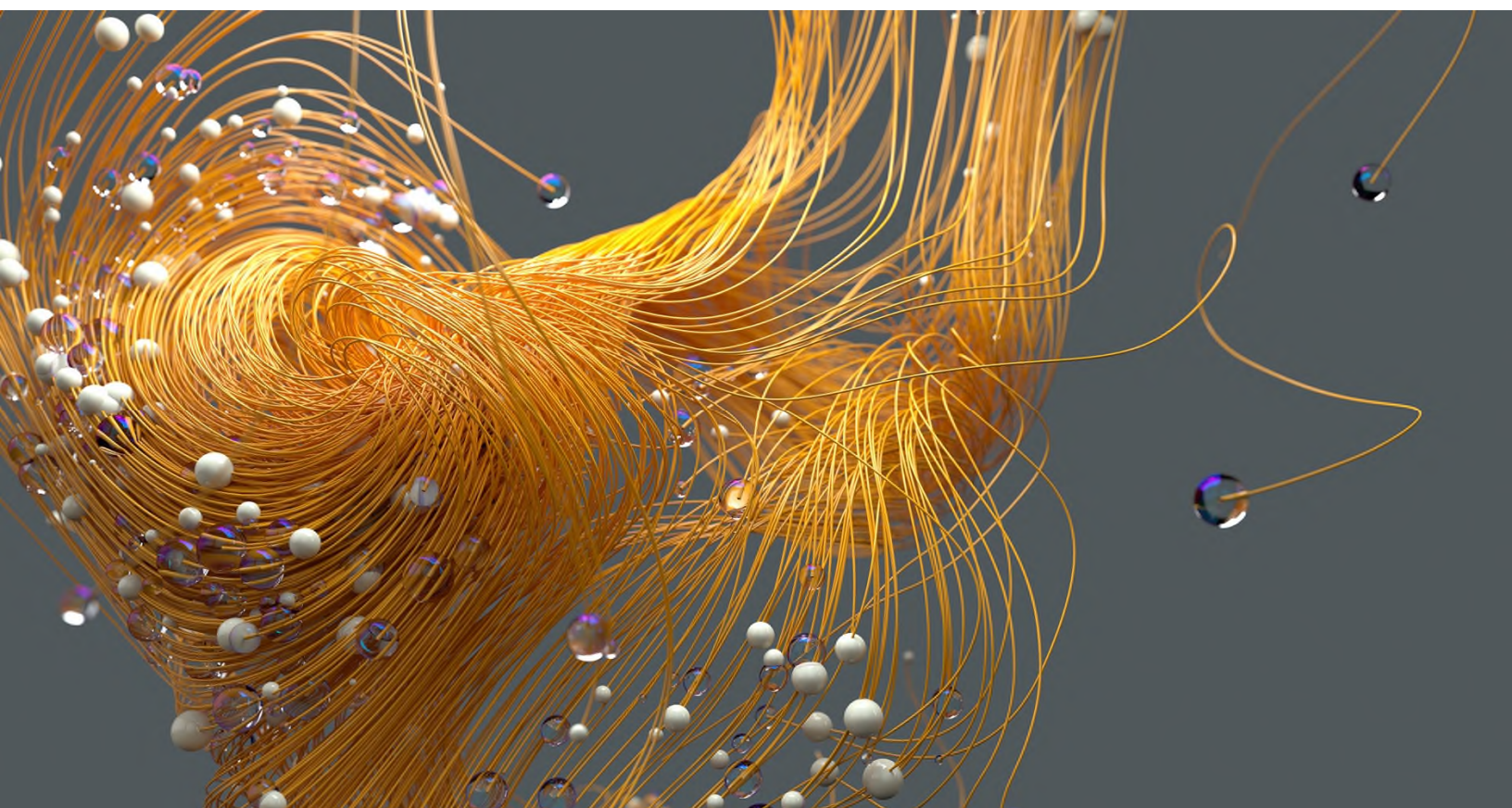
Fierce Healthcare | December 10, 2021

The Biden administration released its 2022 unified agenda that details regulations it plans to release in the coming year. The agenda, released Friday by the Office of Management and Budget, is not binding but gives a look at which areas Department of Health and Human Services (HHS) officials are hoping to address in the year ahead. The key areas of emphasis include short term health plans, prior authorization, 340B, and rural emergency hospital requirements.

December 22, 2021

Cain Brothers Industry Insights

Healthcare Weekly Market Report



This week's banker commentary:

Two Years into the COVID-19 Pandemic, What Have We Learned About Telehealth?

Industry Insights

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The Two Years into the COVID-19 Pandemic, What Have We Learned About Telehealth?

Banker Commentary by Eugene Bord

Following an unprecedented telehealth boom in 2020 propelled by the COVID-19 pandemic, virtual health visit volumes have stabilized. With nearly two years of data, we now have a more educated view on the state of the market. Here are a few of the noteworthy takeaways:

Telehealth Usage Has Stabilized But Is Down from Early Pandemic Peaks

According to Fair Health, telehealth visit claims represented ~4-5% of all monthly medical claims from June through September 2021. That is up significantly from 0.24% in January 2020 but down from a peak of ~13%, observed in April 2020, when nearly all non-urgent in-person healthcare visits ceased. Relatively minor ebbs and flows this fall also suggest that the Delta variant had minimal impact on overall volumes, and current activity may therefore provide a near-term base view for activity.

Data made available by Teladoc Health (TDOC), the largest and only publicly traded virtual health provider, offers further insight. The company recently noted that quarterly visit volume growth has "slowed" from 65% in Q1 2020 to 10% in Q2 2021 and membership has remained relatively steady for Q1-Q3 2021 at ~52 million members.¹

Consumers and Providers Expect to Use Telehealth Post-Pandemic

Consumer and provider attitudes toward telehealth have generally been positive and support post-pandemic sustainability.

According to TDOC, 82% of consumers that have tried telehealth like it. The company is also seeing continued growth in both the number of repeat visits and the number of members that are using telehealth across multiple service lines. Similarly, according to research conducted by McKinsey in April 2021, ~40% of consumers plan to continue using telehealth, up from 11% before the pandemic.²

On the provider side, McKinsey notes that as of April 2021, 84% of physicians were offering some form of telehealth and 57% prefer to continue offering these services. Further, 58% of physicians view telehealth more favorably now than they did before the COVID-19 pandemic, though favorable perceptions have declined from a peak of 64% in late 2020.

¹ TDOC's November 2021 Investor Day Presentation and comments to analysts

² McKinsey. Telehealth: A quarter-trillion-dollar post-COVID-19 reality? July 2021

Industry Insights

Investment in Telehealth Remains at Record Levels

Providers and consumers have recognized the possibilities for telehealth and now expect their telehealth experience to rise to the same level as equivalent in-person services. These expectations are putting pressure on businesses within the ecosystem and catalyzing new entrants to innovate solutions that further enhance virtual care.

Accordingly, investment into telehealth continues accelerate. Total venture capital investment into digital health is expected to reach nearly \$30 billion in 2021. This would be nearly ~2x the investment in 2020 (\$14.6 billion) and ~4x that in 2019 (\$7.7 billion).³

The telehealth industry remains early in its evolution and long-term large-scale adoption will ultimately be driven by the “new normal” of the pandemic, federal policies, reimbursement, and successful integration across healthcare service lines. Nevertheless, based on the recent relative stability of telehealth visit volumes, consumer and provider attitudes, and continued record investment, growth is almost certain to remain at well above pre-pandemic levels.

³ Rock Health's Digital Health Funding Report

Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
12/16/2021	ProPath	Sonic Healthcare (ASX: SHL)	NA	NA	NA	Medically led anatomical pathology (AP) company
12/15/2021	Herspiegel Consulting	DFW Capital Partners	NA	NA	NA	Full-service life science consulting firm
12/15/2021	par8o	Cloudmed (New Mountain Capital)	NA	NA	NA	340B and patient referral management technology for healthcare providers
12/14/2021	GHR Healthcare (Platform Partners)	MidOcean Partners	NA	NA	NA	Healthcare staffing platform providing skilled nursing, allied and healthcare IT professionals
12/13/2021	Day Kimball Healthcare*	Covenant Health	NA	NA	NA	NFP Connecticut based community healthcare system composed of the 104-bed Day Kimball Hospital, Day Kimball Medical Group, Day Kimball Healthcare at Home, and
12/13/2021	Comfort Care	Aveanna Healthcare (NASDAQ: AVAH)	\$345	3.5x	NA	Adult home health and hospice company with operations in Alabama and Tennessee
12/13/2021	IVFMD	Fertility Specialists Network (LongueVue Capital)	NA	NA	NA	Fertility treatment platform based in Texas
12/9/2021	Biocare Medical (Excellere Partners)	GHO Capital	NA	NA	NA	Immunohistochemistry and in situ hybridization reagents for cancer diagnosis and chromosomal profiling
12/9/2021	Guided Practice Solutions	Main Post Partners	NA	NA	NA	Dental service organization
12/9/2021	Resurgens Orthopaedics	Welsh, Carson, Anderson & Stowe	NA	NA	NA	Orthopaedic group providing comprehensive specialty care and ancillary services addressing all musculoskeletal needs
12/8/2021	Discover Vision Centers	Midwest Vision Partners (The Firmament Group)	NA	NA	NA	Provider of eyecare services in the Kansas City market
12/8/2021	UrgentMED	Quilvest Capital Partners	NA	NA	NA	Independent network of urgent care clinics in Southern California
12/7/2021	Raintree Systems	Serent Capital	NA	NA	NA	Provider of electronic health record and revenue cycle management software solutions to the therapy market
12/6/2021	PracticeTek	Lightyear Capital and Greater Sum Ventures	NA	NA	NA	Provider of vertical software and payments solutions to the retail healthcare market
12/6/2021	Veterinary Practice Partners (Pamlico Capital)*	Audax Private Equity	NA	NA	NA	Veterinary practice management group
12/6/2021	WillowWood Global (DW Healthcare Partners)	Blue Sea Capital	NA	NA	NA	Designer and manufacturer of a broad range of prosthetic products
12/3/2021	ORM Fertility*	Pinnacle Fertility (Webster Equity Partners)	NA	NA	NA	Provider of comprehensive fertility services to individuals and couples

Healthcare Equity Private Placements Activity

Recent Selected Healthcare Equity Private Placements (\$MM)

Date	Company	Investor(s)	Type	Amount	Description
12/17/2021	Well Dot	Valeas Capital Partners (lead), General Catalyst and Hellman & Friedman	Series B	\$70	Consumer-focused health improvement platform
12/15/2021	Panorama Eyecare	Archimedes Health Investors (lead)	Undisclosed	\$150	Physician-led eye care management services organization
12/14/2021	Ophelia	Tiger Global (lead), Menlo Ventures, General Catalyst, Refactor Capital, 640 Oxford Ventures, Interplay Ventures, PillPack founder Elliot Cohen, and Good Friends	Series B	\$50	Digital provider of medication-assisted treatment for opioid use disorder
12/14/2021	Garner Health	Redpoint Ventures (lead), Founders Fund, Thrive Capital, and Optum Ventures	Series B	\$45	Provider of physician quality data to patients and doctors
12/14/2021	Restore Hyper Wellness	General Atlantic	Undisclosed	\$140	Provider of proactive wellness solutions
12/14/2021	Route 92 Medical	InnovaHealth Partners and Norwest Venture Partners (co-leads), Vertical Group and U.S. Venture Partners	Series E	\$56	Medical technology company focused on stroke intervention
12/14/2021	Route 92 Medical	Runway Growth Capital	Senior Secured Term Loan	\$55	Medical technology company focused on stroke intervention
12/13/2021	PetDx	Longview Asset Management (lead), Declaration Partners, Torch Capital, Aperture Venture Partners, Valor Equity Partners, Friedman Bioventure, K4 Family Investments, and Labcorp	Series B	\$62	Molecular diagnostics company dedicated to pet health
11/23/2021	Luma Health	FTV Capital	Series C	\$130	Patient engagement platform
11/17/2021	aptihealth	Takeda Digital Ventures, Pivotal Life Sciences, Vista Credit Partners, Olive Tree Ventures, Claritas Capital, and What If Ventures	Series B	\$50	Tech-driven behavioral health provider
11/16/2021	Trella Health	Cressey & Company (lead) and Panoramic Ventures	Undisclosed	Undisclosed	Provider of healthcare growth insights and performance analytics data
11/8/2021	Enhance Health	Bain Capital Insurance	Undisclosed	\$150	Digital health insurance brokerage and care navigation platform focused on serving the Medicare Advantage market
11/2/2021	Infusion for Health	Oak HC/FT (lead), Cimarron Healthcare Capital	Undisclosed	\$50	Network of ambulatory infusion centers
11/1/2021	Convergent Dental	Arboretum Ventures (lead), Long River Ventures and the Gund Foundation	Series C	\$40	Dental equipment company
10/26/2021	Medable	Blackstone Growth and Tiger Global (co-leads), GSR Ventures, Sapphire Ventures and WTI	Series D	\$304.0 \$2.1 bln valuation	Patient-focused clinical research company offering a cloud offering for adoption of digital and decentralized clinical trials
10/26/2021	Stride	King River Capital (lead), Mastercard, Allstate, Venrock, NEA, and Fidelity's F-Prime Capital	Series C	\$47	Portable benefits for independent workers for independent workers
10/21/2021	Workit Health	Insight Partners (lead), CVS Health Ventures, FirstMark Capital, BCBS Venture Fund, and 3L Capital	Series C	\$118	Provider of virtual substance use disorder treatment
10/20/2021	Bardavon Health Innovations	Matrix Capital Management (lead), WestCap	Series C	\$90	Workers' compensation and musculoskeletal health company

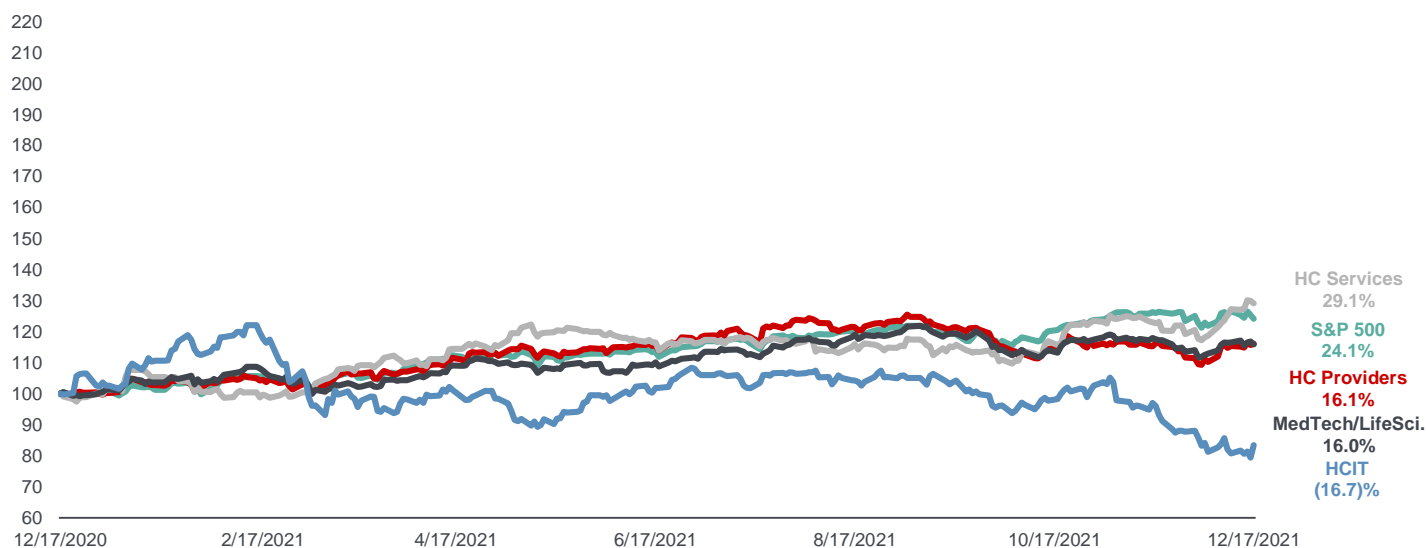
Public Equity Capital Markets Activity & Indices

Equity Indices Information as of December 17, 2021

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	35,971	35,365	16.7%	(1.7%)
S&P 500	4,712	4,621	24.1%	(1.9%)
NASDAQ	15,631	15,170	18.8%	(2.9%)
Russell 2000	2,212	2,174	9.9%	(1.7%)
NYSE Healthcare	23,177	23,669	19.0%	2.1%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	45.5%	3.1%
Alternate Site Services	(12.6%)	(0.8%)
Diagnostics	27.5%	5.1%
Distribution	17.2%	0.5%
Healthcare IT	(16.7%)	3.4%
Healthcare REITs	5.2%	1.5%
Managed Care	35.0%	1.8%
Medical Technology	12.9%	(0.6%)
Outsourced Services	14.4%	(0.8%)
Pharma Services	41.1%	0.7%
Pharmacy	36.6%	0.8%
Post-Acute Care	0.2%	(0.1%)

Cain Brothers Core Healthcare Indices (1YR Performance)



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

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. ¹	Offer Price	Current / Offer	Description
Paragon 28 (FNA)	10/15/2021	IPO	\$125	\$1,391	\$16.00	11.3%	Orthopedic medical device company
Cue Health (HLTH)	9/24/2021	IPO	\$200	\$2,875	\$16.00	(37.9%)	Consumer focused healthcare IT company
Definitive Healthcare (DH)	9/15/2021	IPO	\$420	\$4,288	\$27.00	44.7%	Healthcare commercial intelligence solutions
Avantor (AVTR)	9/15/2021	Follow On	\$875	\$25,884	\$42.00	(8.5%)	Critical products and services to customers in the biopharma and healthcare industries
Maravai LifeSciences (Nasdaq: MRVI)*	9/10/2021	Follow On	\$1,000	\$15,400	\$50.00	(16.0%)	Data and analytics technology and services to healthcare organizations

Tax-Exempt Debt Markets

Tax-Exempt Debt Information as of December 17, 2021

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	1.78%	1.78%	2.09%
AA Tax-Exempt Hospital Bonds (30-Yr)	1.58%	1.58%	1.79%
SIFMA (Variable Rate Demand Notes)	0.09%	0.06%	0.09%
Revenue Bond Index	2.41%	2.41%	2.57%
SIFMA/1 Month LIBOR	90.00%	54.55%	60.00%
RBI/30 Yr Treasury (%)	132.42%	128.19%	151.18%
30-Year Floating to Fixed Swap (81% LIBOR)	1.33%	1.41%	1.09%

Tax-Exempt Healthcare Issuance Information¹ (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Call	Yield to Mat.	AAA
Aberdeen Ridge	\$89.270	CO	NR / NR / NR	2058	2031 (C)	5.00%	4.75%	4.89%	1.48%
Aberdeen Ridge (TEMPS-50)	\$19.500	CO	NR / NR / NR	2028	2023 (C)	2.13%	2.13%	N/A	1.48%
Aberdeen Ridge (TEMPS-70)	\$15.750	CO	NR / NR / NR	2029	2023 (C)	2.63%	2.63%	N/A	1.48%
Aberdeen Ridge (TEMPS-85)	\$12.450	CO	NR / NR / NR	2030	2023 (C)	3.50%	3.50%	N/A	1.48%
Aberdeen Ridge (Taxable MPS)	\$3.050	CO	NR / NR / NR	2027	2023 (C)	3.13%	3.13%	N/A	1.23%
John Knox Village Project	\$84.265	FL	NR / NR / BBB	2056	2030 (C)	4.00%	2.75%	3.52%	1.48%
John Knox Village Project (Entrance Fee Principal Redemption Bonds)	\$25.160	FL	NR / NR / BBB	2029	NC	2.00%	2.05%	N/A	1.48%
John Knox Village Project (Entrance Fee Principal Redemption Bonds)	\$24.840	FL	NR / NR / BBB	2027	NC	1.45%	1.45%	N/A	1.48%
Oakwood Lutheran Senior Ministries	\$113.135	WI	NR / NR / NR	2057	2029 (C)	4.00%	3.32%	3.78%	1.48%
Covenant Woods Obligated Group ^(a) (Forward Delivery)	\$54.540	VA	NR / NR / NR	2047	2032 (C)	4.00%	3.60%	3.79%	1.48%
Urban Health Plan Inc. ^(b) (Nonrated Private Placement)	\$20.000	NY	NR / NR / NR	2051	2031 (C)	6.38%	6.61%	N/A	1.48%
Urban Health Plan Inc. ^(b) (Nonrated Private Placement)	\$0.110	NY	NR / NR / NR	2027	NC	6.25%	6.56%	N/A	1.48%
Total	\$462.070								

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

a) Nonrated Private Placement with Ziegler Capital Markets as Placement Agent

b) Placement Agent: Roosevelt & Cross Inc.

1. Bloomberg, Capital IQ

What's On Deck: Tax-Exempt Healthcare Issuances¹ (\$MM)

Issuer	Date	Amount	Rating
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None Scheduled

1. Bloomberg, Capital IQ

Corporate High Grade, High Yield & Leveraged Loan Market

Market Overview

High Yield

- Last week saw a \$200 million outflow, which follows the prior week's inflow of \$1.3 billion. YTD net outflows total \$16.3 billion, which compares to 2020 net inflows of \$44.9 billion

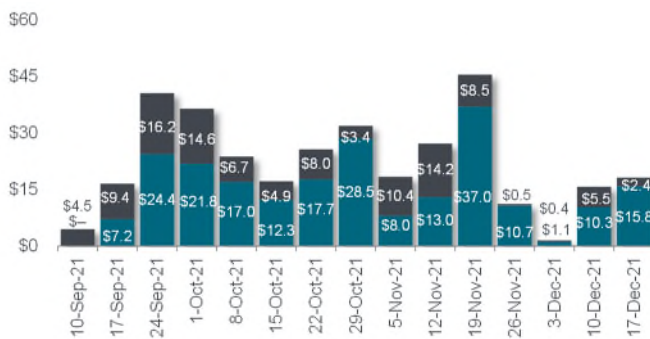
Leveraged Loans

- Leveraged loan funds reported inflows totaling \$859 million last week, which follow back-to-back outflows the prior two weeks totaling \$50 million and \$495 million, respectively

HY Index Yield & Spread (YTD)



Weekly New Issue Volume (\$B)



New-Issue Clearing Yields¹ (\$MM)

	2Q21	3Q21	30-Day Rolling Average		
			October 2021	November 2021	12/16/21
Overall	4.64%	4.78%	4.85%	4.61%	4.81%
4B	2.98%	3.45%	2.82%	3.60%	3.12%
2B	4.99%	5.02%	4.82%	4.76%	5.05%
Middle Market	5.15%	5.75%	5.82%	5.35%	6.16%

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
12/7/2021	Merck & Co	Sr Notes	\$1,500	A1 / A+	1.700%	6/10/2027	+45	20 bps
12/7/2021	Merck & Co	Sr Notes	\$1,000	A1 / A+	1.900%	12/10/2028	+50	25 bps
12/7/2021	Merck & Co	Sr Notes	\$2,000	A1 / A+	2.150%	12/10/2031	+70	20 bps
12/7/2021	Merck & Co	Sr Notes	\$2,000	A1 / A+	2.750%	12/10/2051	+95	20 bps
12/7/2021	Merck & Co	Sr Notes	\$1,500	A1 / A+	2.900%	12/10/2061	+110	20 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
11/16/2021	Tenet Healthcare	1st Lien Notes	\$1,450	B1/B+	4.375%	1/15/2030	284 bps	4.375% area
11/2/2021	Teva Pharmaceutical Industries (€)	Sr. Notes	\$1,269	Ba2/BB-	3.750%	5/9/2027	421 bps	4.00% area
11/2/2021	Teva Pharmaceutical Industries (€)	Sr. Notes	\$1,731	Ba2/BB-	4.375%	5/9/2030	465 bps	4.625% area
11/2/2021	Teva Pharmaceutical Industries	Sr. Notes	\$1,000	Ba2/BB-	4.750%	5/9/2027	353 bps	5.00% area
11/2/2021	Teva Pharmaceutical Industries	Sr. Notes	\$1,000	Ba2/BB-	5.125%	5/9/2029	370 bps	5.375% area

Most Recent Healthcare Leveraged Loan Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
12/16/2021	ICU Medical*	Not Sponsored	Ba3 / BB	Acquisition	\$850	SOFR+CSA+250, 0.50% @ 99.5	3.125%
12/15/2021	National Mentor	Centerbridge Partners	B3 / B	Acquisition	\$200	L+375, 0.75% @ 98.56	4.860%
12/14/2021	FullBloom	American Securities	B3 / B-	LBO	\$385	SOFR+CSA+425, 0.75% @ 99	5.250%

Healthcare News

Healthcare Executives Believe AI Can Improve Patient Outcomes, Reduce Costs¹

Healthcare Finance | December 16, 2021

Healthcare executives increasingly believe in the power of artificial intelligence to help improve patient outcomes, support cost savings and promote health equity, according to a new Optum survey of 500 senior healthcare executives. Most healthcare organizations – 98% – either have a strategy or are planning one. Eighty-five percent of healthcare leaders already have an AI strategy and 48% have implemented it, continuing the upward trend from last year's results, in which 83% had an AI strategy and 44% had implemented it, according to the Fourth Annual Optum Survey on Artificial Intelligence in Health Care. The survey was taken of executives at hospitals, health plans, life sciences companies and employers. In addition, healthcare leaders continue to be optimistic that AI technology will create work opportunities (55%) rather than reduce them (45%). This is similar to last year and up from 52% in 2019.

Use Of Alternative Payment Models Up 23% Over 5 Years, Report Finds²

Beckers Hospital Review | December 16, 2021

About 41 percent of U.S. healthcare dollars involve alternative payment models — a 23 percent increase over five years, according to a report from the Health Care Payment Learning & Action Network. The report, which is backed by America's Health Insurance Plans and the Blue Cross Blue Shield Association, surveyed 79 payers, which cover 80.2 percent of the insured U.S. population. Its focus is tracking the adoption of APMs.

CMMI Seeking Safety-Net Providers For New Wave Of Models That Focus On Health Equity³

Fierce Healthcare | December 15, 2021

Leaders with the Center for Medicare & Medicaid Innovation spoke during the Healthcare Payment Learning and Action Network summit on Wednesday on the need to boost health equity in payment models. The center made health equity a major priority in its latest strategic refresh of payment models released back in October. "We will ask ourselves how this model affects equity ... and what resources are needed including financial and human capital are needed," said Dora Hughes, the chief medical officer for CMMI during the summit. Part of that evaluation is to look at how to entice safety-net providers into value-based care models, which can be costly propositions for those who operate on thin profit margins. CMMI needs to provide "options and tools for providers to [give] multiple levels of risk to bring into the fold," Hughes said.

Healthcare News Continued...

Managed Care Organizations Increasingly Pressured To Address Social Determinants, Health Equity¹

Becker's Hospital Review | December 14, 2021

Managed care organizations are being asked to prioritize social determinants of health through state Medicaid contracts, according to a Together for Better Medicaid report shared with Becker's. The analysis of 10 recent state requests for proposals found a heightened emphasis on managed care organizations addressing income, housing, food and other social determinants, as well as health equity, according to a news release shared with Becker's. The report found that states are requiring managed care organizations to screen members for vulnerabilities to social determinants, encourage referrals to local organizations for social needs, and include social determinants in quality and performance evaluations. Similarly, the report found that requests for proposals are placing an emphasis on bolstering health equity. Efforts include promoting inclusive marketing and care management, providing diversity training to staff and, in some cases, supporting value-based arrangements, according to the news release.

In An Age Of Precision Medicine, Decentralized Clinical Trials Are A Valuable Tool²

Healthcare News Hubb | December 13, 2021

As I discussed in my article on rare disease trials, recruitment is a challenge for trials that need participants with specific genetic profiles. 80% of clinical trials don't finish recruitment on time, and precision medicine trials often have smaller patient pools to draw from than other trials do. Decentralized clinical trials address this challenge in two ways. First, they let investigators reach patients across the country or even the world. A sponsor located in Houston can use technology to connect with research sites in Seattle, Boston, or small-town Georgia. They can then recruit patients from all of those locations. If patients live far away from a major city, they can still participate in the trial using technology or visits to their local clinic or pharmacy. Second, physicians and research sites can use decentralized trial technology, like patient recruitment software, to find trials patients may be eligible for. With patients' permission, this tech can match patients with trials suited for their genetic or molecular profile. But for patient recruitment software to work, the healthcare industry needs to make genetic testing widely available and affordable.

Clover Health And Cricket Health Partner To Target Chronic Kidney Disease³

Healthcare Finance | December 13, 2021

Medicare Advantage insurer Clover Health has launched a new clinical program targeting chronic kidney disease in an effort to minimize the time between diagnosis and treatment and improve outcomes for seniors. Clinicians can use the software program Clover Assistant to access renal care coordination and services to support disease management among their patients. As part of the program, Clover has partnered with value-based kidney care provider Cricket Health to offer patients personalized kidney care. The chronic kidney disease data model analyzes longitudinal patient data to understand an individual's stage of CKD and risk for disease progression, then sends the information directly to physicians to help them develop an appropriate care plan. Physicians can recommend and enroll these patients into Cricket Health's personalized kidney care program at no additional cost to patients.