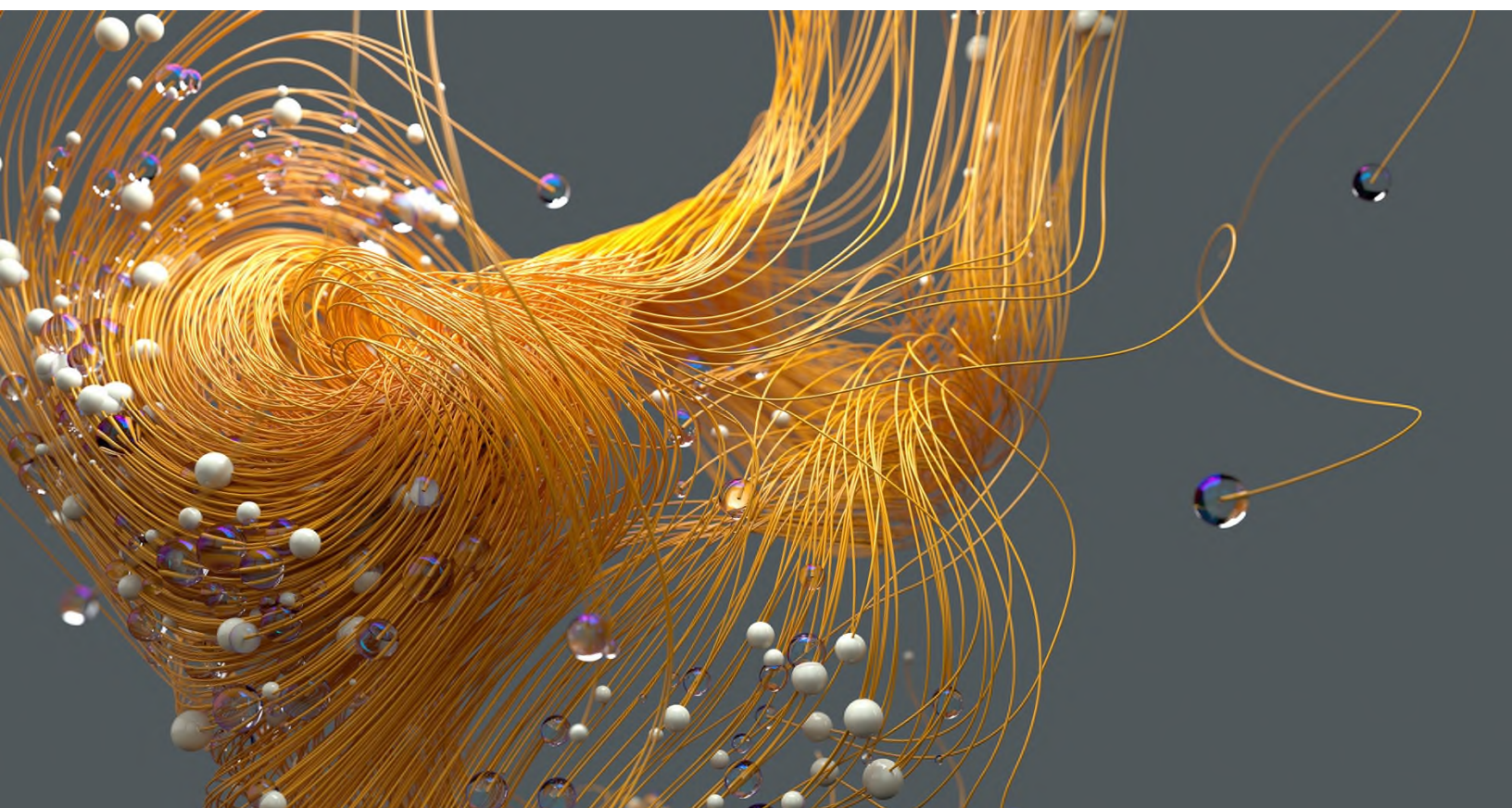


February 2, 2022

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**



**This week's banker commentary:**

**Efforts to Reform the PBM Industry in 2022 from Outside and Within**

# Industry Insights

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## Efforts to Reform the PBM Industry in 2022 from Outside and Within

*Banker Commentary by Steven Alcauskas*

### The Traditional PBM Model Has Become a Popular Target for Legislators and Entrepreneurs

Pharmacy Benefit Managers have been a major target of criticism in the debate around pharmaceutical costs, while Pharmaceutical companies themselves have gotten a reprieve following the development of vaccines and other Covid-related products, with 60% positive public perception recently vs. 26% positive in 2008, according to data from The Harris Poll. While there isn't comparable data from that source on the PBM industry, given proposed political actions and continued critical comments from many directions, it is safe to say the PBM industry has not followed the same trend.

Federal and State Legislators have attempted to drive reform several times over the years, with State Legislators having greater success in recent times. Within the PBM industry, while the three largest PBMs handle the vast majority of scripts, many smaller companies have attempted to create alternative disruptive approaches. Even Mark Cuban, the Dallas Mavericks owner, entrepreneur, and TV personality, is launching a new PBM called Mark Cuban CostPlus PBM with the description "We hate PBMs. So we made a better one."

### Some Reforms Stall Under the Biden Administration

At the federal level, the Biden administration froze much of the activity proposed by the Trump administration around PBM reform after taking office, including the treatment of pharmaceutical rebates. The proposed Build Back Better Act in 2021 had provisions attempting to address drug pricing but was not focused on trying to alter the PBM industry as directly as the prior Trump administration executive order had attempted.

### State Legislation on PBM Reform Outpacing Federal Activity

Many states have been in front of the federal government in their efforts to reform the PBM industry, with a notable recent example being the Governor of New York announcing the signing of significant legislation at the start of this year. This legislation requires PBMs to register and be licensed and sets forth duties and obligations (including around much greater transparency) that PBMs must follow when performing services.

## Industry Insights

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Further, it also provides for the department of financial services to enforce the law and receive complaints from constituents.

### Emerging PBMs Looking to Disrupt the Status Quo

Given the market position of the largest PBMs, many of the smaller participants have tried to differentiate themselves, some with great success over the years, while others have stagnated. One area of focus has been around technology, since many of the traditional PBM technology platforms are antiquated. By using technology tools, some companies have offered modularity, allowing their clients to pick and choose only the components they want. Others have focused on taking financial risk around drug trend. Most of these companies also tout a greater level of transparency, including Mark Cuban's cost-plus model. However, the greatest benefit could be by directing efforts at better managing the patient through medication management and other tools that could impact not only pharmacy costs, but other medical costs as well. The companies who can achieve this would stand a greater chance of thriving in whatever shape PBM reform ends up taking.

# Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
1/28/2022	MyChem	Maravai LifeSciences (NASDAQ: MRVI)	\$240	NA	NA	Provider of proprietary, ultra-pure nucleotides to customers in the diagnostics, pharma, genomics and research markets
1/27/2022	Learn to Live	Concord Health Partners	NA	NA	NA	Online cognitive behavioral therapy provider
1/26/2022	DoseSpot	PSG	NA	NA	NA	Software-as-a-service for clinicians to electronically write and transmit prescriptions to pharmacies
1/26/2022	Midwest Medical Transport (Panorama Point Partners)	Harbour Point Capital	NA	NA	NA	Provider of ambulance transportation services
1/26/2022	PRIA Healthcare	Aldrich Capital Partners	NA	NA	NA	Patient access and reimbursement solutions company
1/24/2022	Texas Endovascular Associates	Fulcrum Equity Partners	NA	NA	NA	Specialty physician practice within Interventional Radiology with a focus on women's health and non-cosmetic vascular and arterial treatments
1/20/2022	Alliance Animal Health	L Catterton	NA	NA	NA	Operator of veterinary hospitals for companion animals
1/20/2022	APT Healthcare	York Private Equity	NA	NA	NA	Putpatient physical therapy platforms in the Mid-Atlantic
1/19/2022	Providence Care	InTandem Capital Partners	NA	NA	NA	Provider of post-acute and end-of-life services in South Carolina
1/19/2022	SPS Health	Nautic Partners	NA	NA	NA	Value-based care solutions provider serving post-acute pharmacies and pharmacy benefit managers
1/18/2022	GeneDx (OPKO Health)	Sema4 (Nasdaq: SMFR)	\$623	5.4x	NA	Provider of genomic testing and analysis
1/18/2022	HealthAxis Group	Revelstoke Capital Partners	NA	NA	NA	Provider of modern Core Administrative Processing Solutions and related software and services to healthcare payors
1/18/2022	Pack Health	Quest Diagnostics (NYSE: DGX)	NA	NA	NA	Patient engagement company that addresses chronic conditions and comorbidities that are influenced by mental health, lifestyle behaviors, access to care and social determinants of health
1/17/2022	Gilsbar's TPA Division	HealthComp (New Mountain Capital)	NA	NA	NA	Provider of a fully-integrated approach to benefit plan administration
1/17/2022	P2P Staffing	A&M Capital Partners	NA	NA	NA	Provider of locum tenens and physician and advanced practice direct-hire staffing
1/14/2022	Tridium (Ben Franklin Technology Partners, Fresenius, Martinson Ventures, Sopris Capital)	New Directions Behavioral Health (GuideWell)	NA	NA	NA	Digital behavioral health company
1/13/2022	SpineOne	Trinity Hunt Partners	NA	NA	NA	Provider of interventional pain management services
1/12/2022	AnovoRx	TPG Growth	NA	NA	NA	Provider of specialty pharmacy services
1/12/2022	InfuCare Rx	One Equity Partners	NA	NA	NA	Provider of specialty infusion therapies and comprehensive clinical therapy management services
1/11/2022	Renovo Solutions	Water Street Healthcare Partners	NA	NA	NA	Providers focused on managing healthcare and life sciences equipment and technology

# Healthcare Equity Private Placements Activity

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

Date	Company	Investor(s)	Type	Amount	Description
1/27/2022	The Vets	Target Global, PICO Venture Partners and Bolt Ventures (co-leads)	Undisclosed	\$40	Tech-enabled pet healthcare platform that provides at-home care
1/25/2022	Reimagine Care	Santé Ventures, Martin Ventures, and LRVHealth (co-leads), the CU Healthcare Innovation Fund, City of Hope, McKesson Ventures and Sable Investments	Series A	\$25	Provider of technology-enabled services that supports oncologists to deliver home-centered, value-based cancer care
1/25/2022	Sollis Health	Torch Capital and Denali Growth Partners (co-leads), Strand Equity, Read Capital and other individual investors	Series A	\$30	Members-only 24/7 medical concierge service
1/24/2022	A Place for Mom	Insight Partners (lead), General Atlantic and Silver Lake	Growth	\$175	Marketplace for senior care services
1/19/2022	Gale Healthcare Solutions	FTV Capital	Growth	\$60	Technology-enabled healthcare services and payments platform that provides per diem, contract, and travel temporary staffing
1/19/2022	Wheel Health	Lightspeed Venture Partners and Tiger Global (co-leads), CRV, Tusk Ventures, Silverton Partners, Coatue and Salesforce	Series C	\$150	Tech-enabled marketplace for healthcare companies and clinicians
1/19/2022	Lyra Health	Dragoneer (lead), Salesforce Ventures, Coatue	Undisclosed	\$235	Provider of workforce mental health solutions for employers
1/14/2022	Verana Health	Johnson & Johnson Innovation and Novo Growth (co-leads), GV, Casdin Capital, Brook Byers, Merck Global Health Innovation, THVC, and Breyer Capital	Series E	\$150	Real-world data network that delivers drug lifecycle and medical practice insights
1/10/2022	Medically Home	Baxter, Global Medical Response, Cardinal Health, Mayo Clinic and Kaiser Permanente	Strategic	\$110	Enables health systems to safely care for their patients at home, across the care continuum, including hospital-level care
1/13/2022	DexCare	Transformation Capital (lead), Kaiser Permanente, Providence Ventures, Mass General Brigham, Define Ventures, Frist Cressey Ventures, and SpringRock Ventures	Series B	\$50	Platform-as-a-Service for health systems
12/20/2021	Zing Health	Town Hall Ventures and Leavitt Equity Partners	Minority	\$25	Physician-led Medicare Advantage insurance company
12/20/2021	Univfy	Atlantic Street Capital	Series B	Undisclosed	Provider of artificial intelligence and machine learning to increase access to fertility care
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



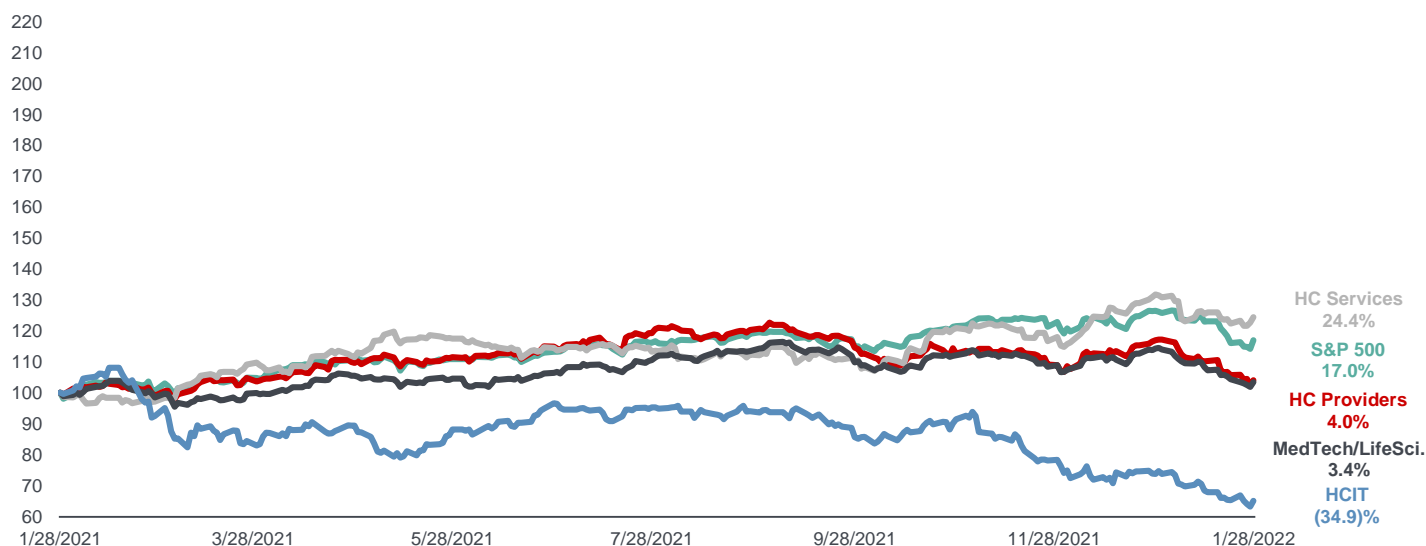
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of January 28, 2022

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	34,265	34,725	13.5%	1.3%
S&P 500	4,398	4,432	17.0%	0.8%
NASDAQ	13,769	13,771	3.2%	0.0%
Russell 2000	1,988	1,969	(6.6%)	(1.0%)
NYSE Healthcare	22,343	22,733	14.3%	1.7%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	38.1%	(0.7%)
Alternate Site Services	(8.1%)	1.0%
Diagnostics	(0.7%)	(1.7%)
Distribution	15.2%	3.5%
Healthcare IT	(34.9%)	(0.3%)
Healthcare REITs	11.9%	(2.0%)
Managed Care	30.2%	0.8%
Medical Technology	2.3%	(1.1%)
Outsourced Services	2.9%	1.1%
Pharma Services	14.9%	(0.3%)
Pharmacy	33.4%	4.7%
Post-Acute Care	(6.1%)	(1.4%)

## 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
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 January 28, 2022

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	2.40%	2.17%	1.83%
AA Tax-Exempt Hospital Bonds (30-Yr)	2.20%	1.92%	1.58%
SIFMA (Variable Rate Demand Notes)	0.06%	0.04%	0.04%
Revenue Bond Index	2.24%	2.16%	2.51%
SIFMA/1 Month LIBOR	54.55%	36.36%	33.33%
RBI/30 Yr Treasury (%)	108.21%	104.35%	134.22%
30-Year Floating to Fixed Swap (81% LIBOR)	1.59%	1.57%	1.22%

## 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
Thomas Jefferson University <sup>(a)</sup>	\$672.750	PA	A2 / A / NR	2057	2032 (C)	5.00%	2.81%	3.97%	1.95%
Thomas Jefferson University <sup>(a)</sup>	\$527.650	PA	A2 / A / NR	2057	MWC <sup>(b)</sup>	3.85%	3.85%	N/A	2.16%
Atrium Health	\$118.070	NC	Aa3 / AA- / NR	2043	2032 (C)	4.00%	2.30%	3.03%	1.95%
Terraces at Bonita Springs Project <sup>(b)</sup> (Private Placement)	\$83.600	FL	NR / NR / NR	2061	2032 (C)	5.00%	5.00%	N/A	1.95%
Terraces at Bonita Springs Project <sup>(b)</sup> (Taxable; Private Placement)	\$7.000	FL	NR / NR / NR	2033	MWC <sup>(b)</sup>	6.50%	6.50%	N/A	1.75%
Halifax Hospital Medical Center <sup>(c)</sup> (Private Placement)	\$14.490	FL	NR / NR / NR	2049	2023 (C)	5.00%	5.00%	N/A	1.95%
<b>Total</b>	<b>\$1,423.560</b>								

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

(a) 2053 Maturity insured by Assured Guaranty Municipal Corp. which provides "AA" ratings by S&P; \$527.650MM Taxable Tranche: Make whole call at 27bps

(b) RBC Capital Markets served as Placement Agent; \$7.000MM Taxable Tranche: Make whole call at 25bps

(c) JP Morgan served as Placement Agent

1. Bloomberg, Capital IQ

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

Issuer	Date	Amount	Rating
Tarrant County Cultural Education Facilities Finance Corporation Hospital Revenue Bonds (Methodist Hospitals of Dallas) Series 2022	2/3/2022	\$215.680	Aa3 / AA- / NR
Hospital Facilities Authority of the City of Salem, OR Revenue and Refunding, Series 2022 (Capital Manor Project)	2/3/2022	\$57.760	NR / NR / BBB-
California Municipal Finance Authority Senior Living Revenue Bonds (Mt. San Antonio Gardens Project) Series 2022A, B-1, B-2	2/2/2022	\$42.990	NR / NR / BBB-
California Municipal Finance Authority Insured Revenue Refunding Bonds, Series 2022 (The Redwoods, A Community of Seniors) Insured By: Cal-Mortgage Loan Insurance	2/3/2022	\$23.785	NR / AA- NR

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

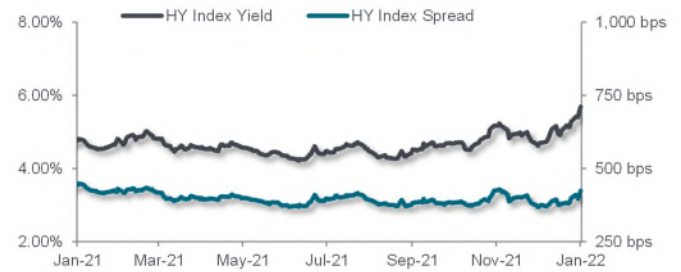
### High Yield

- Last week saw a \$2.8 billion outflow, which follows the prior week's outflow of \$2.1 billion; 2021 net outflows totaled \$13.0 billion, which compares to 2020 net inflows of \$44.9 billion

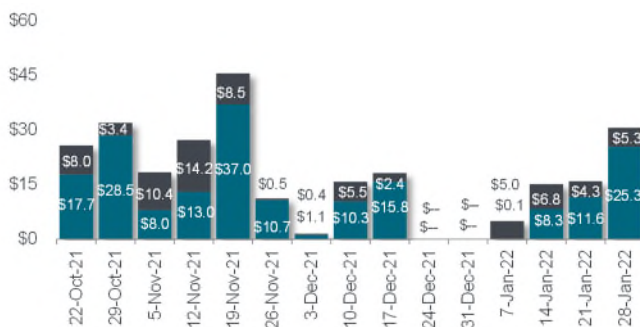
### Leveraged Loans

- Leveraged loan funds reported an inflow totaling \$2.0 billion last week, which follows the record high inflow of \$2.3 billion the week prior

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

	30-Day Rolling Average				
	2Q21	3Q21	November 2021	December 2021	01/27/22
Overall	4.64%	4.78%	4.61%	4.96%	4.84%
4B	2.98%	3.45%	3.60%	2.73%	3.37%
2B	4.99%	5.02%	4.76%	5.19%	5.01%
Middle Market	5.15%	5.75%	5.35%	6.16%	6.46%

## 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
1/27/2022	Athenahealth*	Sr. Notes	\$2,350	Caa2/CCC	6.500%	2/15/2030	475 bps	6.50% area
1/27/2022	Embecka	Sr. Sec. Notes	\$500	Ba3/B+	5.000%	2/15/2030	323 bps	5.00% area
1/27/2022	Bausch Health	Sr. Sec. Notes	\$1,000	Ba3/BB	6.125%	2/1/2027	447 bps	6.25% area
1/20/2022	Community Health Systems	Sr. Sec. Notes	\$1,535	B2/B	5.250%	5/15/2030	347 bps	5.375% area
1/19/2022	US Acute Care Solutions (add-on)	Sr. Sec. Notes	\$225	B2/B-	6.375%	3/1/2026	430 bps	101.00-101.50

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

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
1/28/2022	Athenahealth*	Bain Capital	B3 / B-	LBO	\$5,900	SOFR+350, 0.50% @ 99.5	4.125%
1/28/2022	Bausch Health	Not Sponsored	B2 / B+	Recap/IPO	\$2,500	SOFR+CSA+525, 0.50% @ 99	6.000%
1/27/2022	Embecka Corp	Not Sponsored	Ba3 / B+	Spinoff	\$1,150	SOFR+300, 0.50% @ 99.5	3.625%
1/21/2022	Summit Behavioral Healthcare LLC	Patient Square Capital	B3 / B-	Acquisition	\$150	L+475, 0.75% @ 97	6.250%
1/14/2022	Maravai Life Sciences	GTCR Golder Rauner	B1 / B+	Refinancing	\$544	SOFR+300, 0.50% @ 100	3.500%
1/12/2022	Cano Health Inc	Not Sponsored	B3 / B	Refinancing	\$644	SOFR+CSA+400, 0.50% @ 100	4.500%



## Healthcare News

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### Uber Taps First Chief Medical Officer for Growing Healthcare Arm<sup>1</sup>

Fierce Healthcare | January 27, 2022

Uber is pooling more resources into its growing healthcare arm with the hire of its first chief medical officer. Michael Cantor, M.D., takes the role at Uber Health with more than 20 years of experience as a geriatrician and healthcare executive. Those years, plus his time spent assisting his elderly mother with her health needs, will aid the team in its mission of closing care gaps faced by older adults and vulnerable populations. As the first doctor to join the Uber Health leadership team, Cantor brings indispensable clinical knowledge that can help the business better address the needs of partnering providers and patients, according to Caitlin Donovan, global head of healthcare at Uber Health. Uber Health offers a dashboard and API solution to health organizations it works with, which can be used as a standalone product or integrated into an existing clinical workflow. Those tools help patients get to and from medical appointments with notes about a patient's specific needs given to the driver by their care coordinator.

### Lawmakers, AHA Urge White House to Investigate Nurse Staffing Agencies' Price Hikes<sup>2</sup>

Fierce Healthcare | January 26, 2022

Calls are mounting among industry and legislators for a federal investigation into potential price gouging by nurse staffing agencies that have found their services in high demand throughout the COVID-19 pandemic. Tuesday, a bipartisan group of almost 200 lawmakers penned a letter to White House COVID-19 Response Team Coordinator Jeffrey Zients asking the official "to enlist one or more" federal agencies to open an investigation into potential anti-competitive activity or violation of consumer protection laws. The group, headed by Representatives Peter Welch, D-Vermont, and Morgan Griffith, R-Virginia, said it has heard of agencies charging "two, three or more" times their pandemic rates while pocketing 40% or more of what hospitals are paying out. "We have heard the amounts charged to hospitals rose precipitously as the newest wave of the COVID-19 crisis swept the nation and the agencies seemingly seized the opportunity to increase their bottom line," the lawmakers wrote. "Hospitals have no choice but to pay these exorbitant rates because of the dire workforce needs facing hospitals around the country." Tuesday's letter comes roughly two months after four senators and congress members made a similar request of the White House's pandemic lead.

### HHS to Distribute \$2B in COVID-19 Relief Funds to Providers This Week to Ease Staffing, Financial Challenges<sup>3</sup>

Healthcare Dive | January 26, 2022

The HHS is funneling \$2 billion in federal COVID-19 relief payments to more than 7,600 healthcare providers countrywide this week, the agency said in a statement on Tuesday. About 82% of applications for phase four funding from the Provider Relief Fund have been processed and these payments have a focus on equity, reimbursing a higher percentage of losses for smaller providers and using additional payments for those serving Medicaid and Medicare patients, the HHS said. So far, a total of \$11 billion in phase four general distribution payments have been made to more than 74,000 providers in all 50 states, according to the department. "Provider Relief Fund payments have served as a lifeline for our nation's heroic health care providers throughout the pandemic, helping them to continue to recruit and retain staff and deliver care to their communities," HHS Secretary Xavier Becerra said in a statement. Hospital leaders requested more federal help Tuesday during a call with reporters hosted by the American Hospital Association, lamenting that staffing shortages and skyrocketing rates for traveling-nurse staff are again hampering operations and causing some systems to close beds or delay surgeries because of a lack of needed staff.

## Healthcare News Continued...

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### US Government Fails When it Comes to Tobacco Reduction, American Lung Association Report Says<sup>1</sup>

CNN | January 24, 2022

The federal government gets "mostly failing grades on its efforts to prevent and reduce tobacco," a new report from the American Lung Association says. The 20th annual "State of Tobacco Control" report calls for an end to manufacturing flavored tobacco, saying flavored tobacco products and e-cigarettes jeopardize progress made by tobacco control policy. More than 2 million high school and middle school students used e-cigarettes in 2021, and 85.8% of high school students and 79.2% of middle school students who used e-cigarettes used flavored products, according to the report. "In 2022, the country needs to redouble its efforts to pass the proven policies called for in 'State of Tobacco Control' to help end tobacco use. We can't afford to wait 20 more years and allow another generation to suffer from tobacco-caused addiction, disease and death. This will require a rededication at the federal, state and local levels to save lives," said Harold Wimmer, the president and CEO of the American Lung Association.

### Most Health Systems Still Base Doctors' Pay On Volume, Despite Push Toward Value-Based Care: Study<sup>2</sup>

Fierce Healthcare | January 28, 2022

Despite the growth in value-based payment arrangements from payers, health systems continue to pay physicians based on the volume of services they provide. A new study published in the journal JAMA Health Forum finds that volume-based compensation was the most common type of base pay for more than 80% of primary care physicians and for more than 90% of physician specialists. There is an ongoing and intensified push across the industry to move toward alternative payment models that financially reward physicians based on the quality and value of care they provide rather than per service. But health system compensation and incentives for physicians don't seem to match up with value-based incentives provided by payers. Health systems largely still pay primary care physicians and specialists based on volume-based incentives, which are designed to maximize health systems revenue, according to the study by RAND Corporation researchers.

### Behavioral Health Providers Must Continue to Refine Care Coordination Before Digital Takes Hold<sup>3</sup>

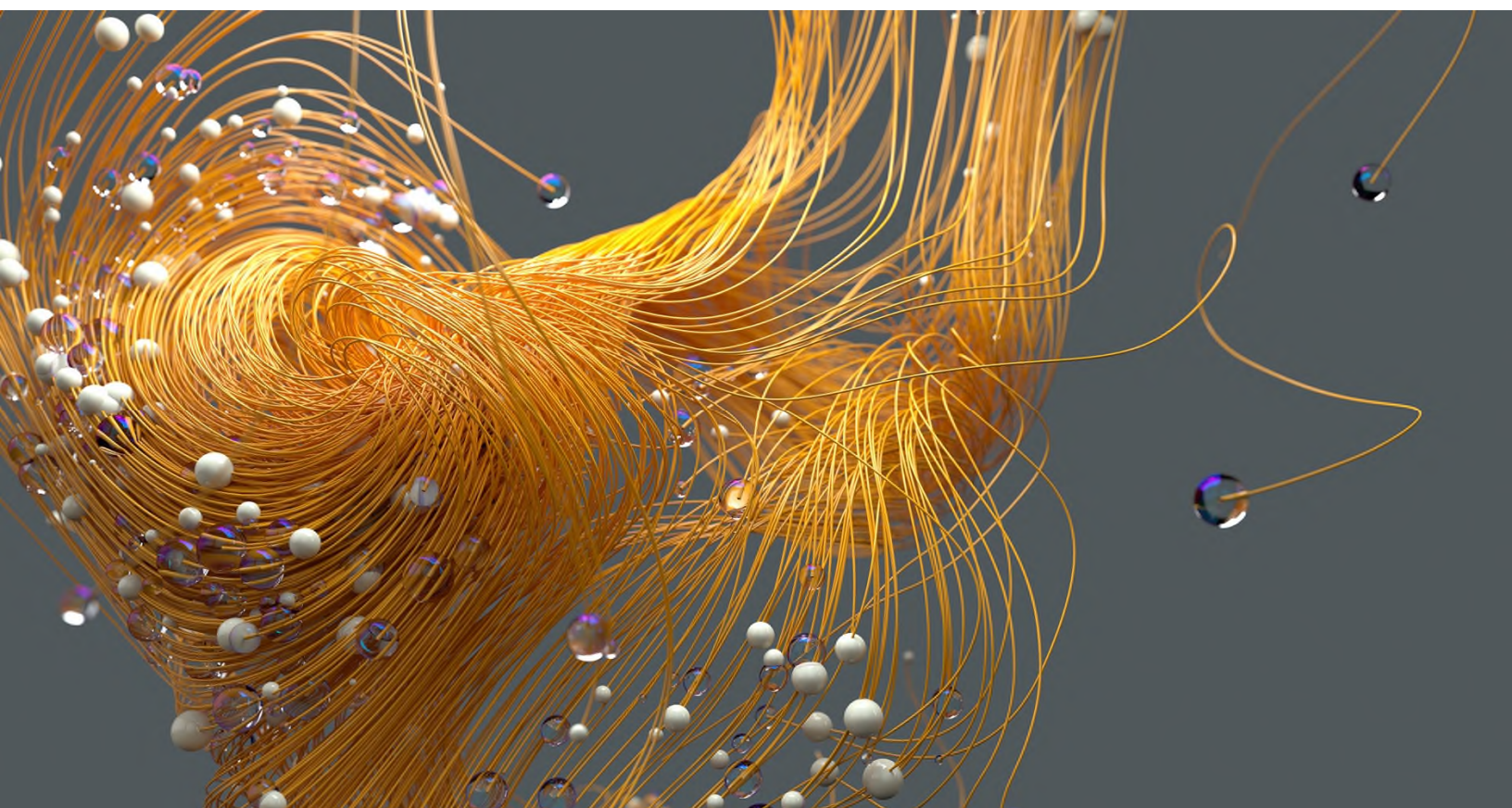
Behavioral Health Business | January 29, 2022

The worldwide digital market for behavioral health care is booming, and is expected to grow to nearly \$840 billion by 2027, according to Data Bridge Market Research. The current provider market is filled with a number of players, with an estimated 20,000 apps worldwide available through Apple and Android that support behavioral health. Over \$5 billion in investments poured into the telehealth space in the second quarter (Q2) of 2021, and year over year, global telehealth investment across all sectors increased 169% from Q2 2020. With market growth in telehealth, users now have more digital care options than ever, ranging from therapy to coaching to peer support services. However, some in behavioral health feel that providers could do better in helping users navigate the wide array of resources. Among those who believe there is room for improvement is Doug Nemecek, the chief medical officer of Evernorth, a division of health insurer Cigna (NYSE: CI).

February 8, 2022

# Cain Brothers Industry Insights

## Healthcare Weekly Market Report



**This week's banker commentary:  
Debt Portfolio Management Is Important**

# Industry Insights

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## Debt Portfolio Management Is Important

*Banker Commentary by James Kim*

A varied array of shocks has tested the American healthcare system in 2020. The most remarkable of these shocks has been the considerable decline in patient volumes that has put significant financial pressure on providers, particularly smaller, rural hospitals and health systems. 2020 saw over three dozen hospital bankruptcies<sup>1</sup> and 20 rural hospital closures<sup>2</sup>. Yet, rated hospitals and health systems, that tend to be relatively stronger credits, saw some financial stability through 2020 & 2021, according to S&P<sup>3</sup>. If this seemingly endless pandemic has taught us one thing, it is that the disparities among the larger health systems and regional, single site or rural hospitals and systems have become increasingly dramatic.

The healthcare delivery landscape is in the midst of much needed change. Continued consolidations, provider/managed care integrations, value-based care, telemedicine and other innovations should ultimately be beneficial for the health of the population. Larger and more nimble health systems will lead the way, while smaller hospitals look to try and keep up. Other disruptive startups and new, more efficient care models will enter the market. However, the somber truth is that the results and impact may be years away. While healthcare continues to evolve, existing providers will need to adjust to and embrace change without neglecting their populace. What will not change in the immediate future is that hospitals, large and small, need to be able to provide quality patient care on a daily basis while maintaining and improving existing facilities. Access to capital is and will continue to be critical.

For most not-for-profit hospitals, capital access generally means having the ability to issue debt in the bond or loan capital markets. While the financial strength of a particular health system or hospital will impact cost of capital or available debt structures, the management of the debt portfolio should be a strategic concern for any size institution. In particular, the debt portfolio should be structured to provide the lowest financial burden, while minimizing any hurdles for future M&A, affiliations or other organizational changes.

<sup>1</sup> 1. <https://www.bloomberg.com/news/articles/2020-10-14/shaky-u-s-hospitals-risk-bankruptcy-in-latest-covid-wave>

<sup>2</sup> 2. <https://www.beckershospitalreview.com/finance/why-rural-hospital-closures-hit-a-record-high-in-2020.html>

<sup>3</sup> 3. U.S. Not-For-Profit Acute Health Care 2020 Medians, Buoyed By Government Funding And Strong Investment Returns, Remain Largely Stable, S&P Global Ratings, 8/30/2021



# Industry Insights

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Some key debt portfolio management concepts to consider:

- **Portfolio Diversification.** Consider a mix of variable rate, fixed rate and synthetically fixed rate debt. This will provide the ability to take advantage of all portions of the yield curve, vary portfolio callability and mitigate certain risks.
- **Alternative Structures/Markets.** In addition to traditional bond and loan markets, utilizing alternative financing structures may provide benefits, such as faster execution, more favorable terms and financing flexibility. Some examples include, but are not limited to, credit tenant leases, sale leasebacks, private placements and off-balance sheet structures.
- **Credit Lending.** Maintenance of cash and liquidity is an important credit measure, and hospitals generally minimize the direct use of cash. For stronger hospitals, an alternative may be to “lend” its credit, through payment or debt service guarantees, in lieu of using cash. This may be helpful in initial acquisition, affiliation or other financing scenarios where equity or hospital contributions are necessary.
- **Derivatives.** Although swaps still carry negative connotations, there are many structures that mitigate the risks associated with the swaps of old. The judicious use of derivatives may be a cost-effective way to hedge risks embedded in an existing portfolio or take advantage of prevailing market opportunities for new issuances. Examples include synthetic fixed rate swaps with a call, basis swaps as a portfolio hedge, rate locks for interest rate protection pre-issuance, and many other applications.
- **Debt Insurance.** For smaller, first time borrowers or hospitals that have been less active in the debt markets, there are many state and federal programs that can provide low cost capital through loan insurance. Programs by FHA, USDA and Cal-Mortgage can provide much needed access to capital at attractive costs.
- **Document Structure.** Most importantly, the debt portfolio should not be a barrier to institutional change or corporate strategy. As financings occur, careful attention to covenants, such as Change of Ownership, Disposition of Assets, merger provisions and Special Redemptions, will be important. Hospitals will want to consider creating the most flexibility in these and other similar provisions to allow for future organizational changes. It may be obvious, but it is more difficult to change any provisions once the debt has already been issued.

Change is coming. Will this make current healthcare delivery and existing hospital models obsolete? The future is unclear, but changes will not take place overnight. Hospitals will need to be prepared to react to the changing landscape, but it should not be at the cost of patient care, which for much of the population may be dependent on proximity to existing facilities. Debt portfolio management may be down the list of priorities for hospitals, particularly for smaller and single site operators, but it could not be more important as consolidations, affiliations and other developments continue.



# Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
2/3/2022	Premier Care Associates	Genuine Health Group	NA	NA	NA	Provider organization that enters into full-risk agreements with Medicare Advantage plans
2/3/2022	SOC Telemed (NASDAQ: TLMD)	Patient Square Capital	\$310	NM	NM	National provider of acute care telemedicine
2/2/2022	Evolution Health (Envision Healthcare)	Amedisys (NASDAQ: AMED)	NA	NA	NA	Home health company serving more than 3,300 home health patients daily across Texas, Oklahoma and Ohio
2/1/2022	Oceans Healthcare	Webster Equity Partners	NA	NA	NA	Provider of inpatient and outpatient treatment with a special focus on physical and emotional needs of older adults
2/1/2022	Epiphany Dermatology	Leonard Green & Partners	NA	NA	NA	Dermatology provider network of 90+ board-certified dermatologists and fellowship-trained subspecialists in 67 clinics across 12 states
1/31/2022	Advanced Reproductive Center	MKH Capital Partners	NA	NA	NA	Fertility practice management services organization
1/28/2022	MyChem	Maravai LifeSciences (NASDAQ: MRVI)	\$240	NA	NA	Provider of proprietary, ultra-pure nucleotides to customers in the diagnostics, pharma, genomics and research markets
1/27/2022	Learn to Live	Concord Health Partners	NA	NA	NA	Online cognitive behavioral therapy provider
1/26/2022	DoseSpot	PSG	NA	NA	NA	Software-as-a-service for clinicians to electronically write and transmit prescriptions to pharmacies
1/26/2022	Midwest Medical Transport (Panorama Point Partners)	Harbour Point Capital	NA	NA	NA	Provider of ambulance transportation services
1/26/2022	PRIA Healthcare	Aldrich Capital Partners	NA	NA	NA	Patient access and reimbursement solutions company
1/24/2022	Texas Endovascular Associates	Fulcrum Equity Partners	NA	NA	NA	Specialty physician practice within Interventional Radiology with a focus on women's health and non-cosmetic vascular and arterial treatments
1/20/2022	Alliance Animal Health	L Catterton	NA	NA	NA	Operator of veterinary hospitals for companion animals
1/20/2022	APT Healthcare	York Private Equity	NA	NA	NA	Putpatient physical therapy platforms in the Mid-Atlantic
1/19/2022	Providence Care	InTandem Capital Partners	NA	NA	NA	Provider of post-acute and end-of-life services in South Carolina
1/19/2022	SPS Health	Nautic Partners	NA	NA	NA	Value-based care solutions provider serving post-acute pharmacies and pharmacy benefit managers
1/18/2022	GeneDx (OPKO Health)	Sema4 (Nasdaq: SMFR)	\$623	5.4x	NA	Provider of genomic testing and analysis
1/18/2022	HealthAxis Group	Revelstoke Capital Partners	NA	NA	NA	Provider of modern Core Administrative Processing Solutions and related software and services to healthcare payors
1/18/2022	Pack Health	Quest Diagnostics (NYSE: DGX)	NA	NA	NA	Patient engagement company that addresses chronic conditions and comorbidities that are influenced by mental health, lifestyle behaviors, access to care and social determinants of health
1/17/2022	Gilsbar's TPA Division	HealthComp (New Mountain Capital)	NA	NA	NA	Provider of a fully-integrated approach to benefit plan administration

# Healthcare Equity Private Placements Activity

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

Date	Company	Investor(s)	Type	Amount	Description
2/3/2022	ConcertoCare	Wells Fargo Strategic Capital (lead), Obvious Ventures, Vast Ventures, The Schusterman Family Foundation, SteelSky Ventures, Pennington Partners, and Deerfield Management	Series B	\$105	Provider of at-home, comprehensive care for seniors and other adults
2/1/2022	Jasper Health	General Catalyst (lead), Human Capital, W Health Ventures, Redesign Health, and 7wireVentures	Series A	\$25	Cancer care navigation and experience platform
2/1/2022	Physician Partners	Kinderhook Industries	Undisclosed	\$500	Value-based primary care physician group and MSO serving over 137,000 members through a network of over 545 physicians throughout Florida.
1/27/2022	The Vets	Target Global, PICO Venture Partners and Bolt Ventures (co-leads)	Undisclosed	\$40	Tech-enabled pet healthcare platform that provides at-home care
1/25/2022	Reimagine Care	Santé Ventures, Martin Ventures, and LRVHealth (co-leads), the CU Healthcare Innovation Fund, City of Hope, McKesson Ventures and Sable Investments	Series A	\$25	Provider of technology-enabled services that supports oncologists to deliver home-centered, value-based cancer care
1/25/2022	Sollis Health	Torch Capital and Denali Growth Partners (co-leads), Strand Equity, Read Capital and other individual investors	Series A	\$30	Members-only 24/7 medical concierge service
1/24/2022	A Place for Mom	Insight Partners (lead), General Atlantic and Silver Lake	Growth	\$175	Marketplace for senior care services
1/19/2022	Gale Healthcare Solutions	FTV Capital	Growth	\$60	Technology-enabled healthcare services and payments platform that provides per diem, contract, and travel temporary staffing
1/19/2022	Wheel Health	Lightspeed Venture Partners and Tiger Global (co-leads), CRV, Tusk Ventures, Silverton Partners, Coatue and Salesforce	Series C	\$150	Tech-enabled marketplace for healthcare companies and clinicians
1/19/2022	Lyra Health	Dragoneer (lead), Salesforce Ventures, Coatue	Undisclosed	\$235	Provider of workforce mental health solutions for employers
1/14/2022	Verana Health	Johnson & Johnson Innovation and Novo Growth (co-leads), GV, Casdin Capital, Brook Byers, Merck Global Health Innovation, THVC, and Breyer Capital	Series E	\$150	Real-world data network that delivers drug lifecycle and medical practice insights
1/10/2022	Medically Home	Baxter, Global Medical Response, Cardinal Health, Mayo Clinic and Kaiser Permanente	Strategic	\$110	Enables health systems to safely care for their patients at home, across the care continuum, including hospital-level care
1/13/2022	DexCare	Transformation Capital (lead), Kaiser Permanente, Providence Ventures, Mass General Brigham, Define Ventures, Frist Cressey Ventures, and SpringRock Ventures	Series B	\$50	Platform-as-a-Service for health systems
12/20/2021	Zing Health	Town Hall Ventures and Leavitt Equity Partners	Minority	\$25	Physician-led Medicare Advantage insurance company
12/20/2021	Univfy	Atlantic Street Capital	Series B	Undisclosed	Provider of artificial intelligence and machine learning to increase access to fertility care

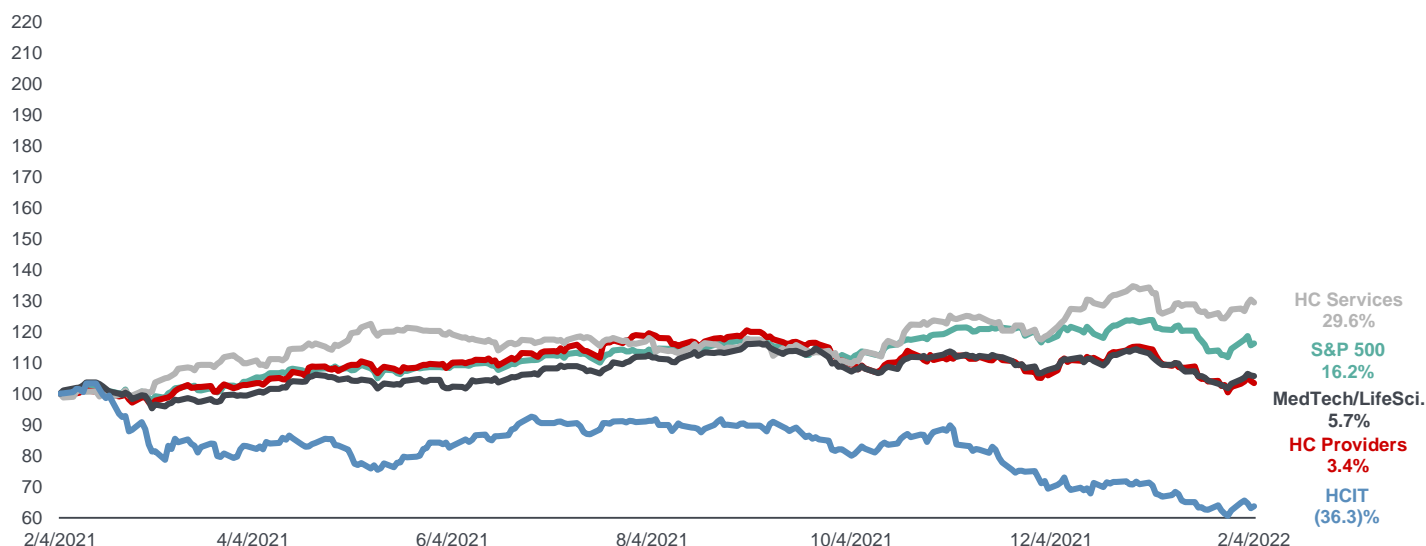
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of February 4, 2022

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	34,725	35,090	13.0%	1.0%
S&P 500	4,432	4,501	16.2%	1.5%
NASDAQ	13,771	14,098	2.3%	2.4%
Russell 2000	1,969	2,002	(9.1%)	1.7%
NYSE Healthcare	23,163	23,059	16.0%	(0.4%)

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	29.2%	0.8%
Alternate Site Services	1.2%	1.4%
Diagnostics	(0.7%)	2.0%
Distribution	14.2%	0.8%
Healthcare IT	(36.3%)	2.4%
Healthcare REITs	4.2%	(4.3%)
Managed Care	37.8%	2.9%
Medical Technology	4.5%	2.4%
Outsourced Services	3.6%	2.1%
Pharma Services	17.8%	2.5%
Pharmacy	32.4%	(1.4%)
Post-Acute Care	(5.6%)	2.1%

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



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

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. <sup>1</sup>	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 February 4, 2022

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	2.29%	2.40%	1.83%
AA Tax-Exempt Hospital Bonds (30-Yr)	2.09%	2.20%	1.58%
SIFMA (Variable Rate Demand Notes)	0.11%	0.06%	0.03%
Revenue Bond Index	2.23%	2.24%	2.51%
SIFMA/1 Month LIBOR	100.00%	54.55%	25.00%
RBI/30 Yr Treasury (%)	100.00%	108.21%	127.41%
30-Year Floating to Fixed Swap (81% LIBOR)	1.69%	1.59%	1.36%

## 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
Wellstar Health System Inc. <sup>(a)</sup>	\$183.085	GA	A2 / A+ / NR	2052	2032 (C)	4.00%	2.85%	3.46%	1.84%
Wellstar Health System Inc. <sup>(a)</sup>	\$79.890	GA	A2 / A+ / NR	2043	2032 (C)	5.00%	2.41%	3.45%	1.84%
Methodist Hospitals of Dallas	\$209.655	TX	Aa3 / AA- / NR	2052	2032 (C)	4.00%	2.44%	3.28%	1.84%
Capital Manor Project	\$58.400	OR	NR / NR / BBB-	2057	2032 (C)	4.00%	3.25%	3.67%	1.84%
Mt. San Antonio Gardens Project	\$29.030	CA	NR / NR / BBB-	2056	2032 (C)	4.00%	3.38%	3.71%	1.84%
Mt. San Antonio Gardens Project (TEMPS-85)	\$8.750	CA	NR / NR / BBB-	2026	2023 (C)	2.13%	2.13%	N/A	1.84%
Mt. San Antonio Gardens Project (TEMPS-85)	\$6.000	CA	NR / NR / BBB-	2027	2023 (C)	2.75%	2.75%	N/A	1.84%
The Redwoods, A Community of Seniors <sup>(b)</sup> (Taxable, Cal-Mortgage Insured)	\$23.550	CA	NR / AA- / NR	2036	2032 (C)	3.28%	3.28%	N/A	1.82%
<b>Total</b>	<b>\$598.360</b>								

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

(a) Wellstar Health System Inc. Project; Revenue Anticipation Certificates

(b) Cal-Mortgage Loan Insurance provides 'AA-' S&P rating

1. Bloomberg, Capital IQ

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

Issuer	Date	Amount	Rating
Orange County Health Facilities Authority Hospital Revenue Bonds (Orlando Health Obligated Group) Series 2022	2/8/2022	\$326.755	A2 / A+ / NR

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

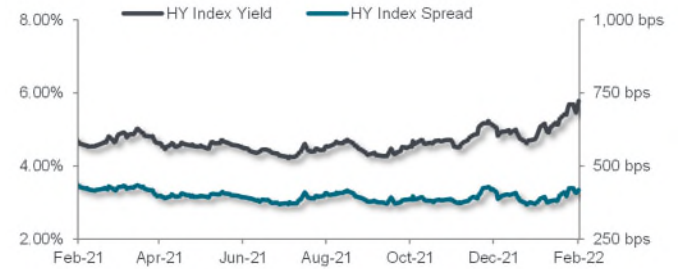
### High Yield

- Last week saw a \$4.0 billion outflow, which follows the prior week's outflow of \$2.8 billion; 2022 net outflows YTD total \$10.6 billion, which compares to 2021 net outflows YTD of \$0.6 billion

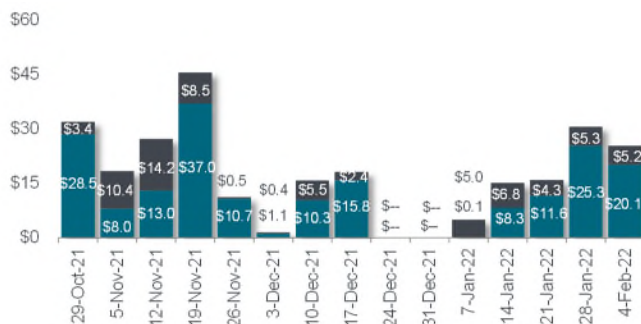
### Leveraged Loans

- Leveraged loan funds reported an inflow totaling \$1.3 billion last week, which follows the prior week's inflow of \$2.0 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

	3Q21	4Q21	30-Day Rolling Average		
			December 2021	January 2022	02/03/22
Overall	4.78%	4.73%	4.96%	4.91%	4.92%
4B	3.45%	3.26%	2.73%	3.28%	3.28%
2B	5.02%	4.86%	5.19%	5.07%	5.06%
Middle Market	5.75%	6.01%	6.16%	6.46%	6.30%

## 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
2/2/2022	Mednax	Sr. Notes	\$400	Ba3/B+	5.375%	2/15/2030	364 bps	5.375% area
1/27/2022	Athenahealth*	Sr. Notes	\$2,350	Caa2/CCC	6.500%	2/15/2030	475 bps	6.50% area
1/27/2022	Embecka	Sr. Sec. Notes	\$500	Ba3/B+	5.000%	2/15/2030	323 bps	5.00% area
1/27/2022	Bausch Health	Sr. Sec. Notes	\$1,000	Ba3/BB	6.125%	2/1/2027	447 bps	6.25% area

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

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
2/3/2022	Athletico Physical Therapy	BDT Capital Partners	B2 / B	Acquisition	\$875	SOFR+CSA+425, 0.50% @ 99.5	4.875%
2/3/2022	Physician Partners	Kinderhook Industries	B2 / B	LBO	\$600	SOFR+CSA+400, 0.50% @ 99	4.750%
2/2/2022	Symplr	Clearlake Capital Group	B3 / B-	Acquisition	\$300	SOFR+CSA+450, 0.75% @ 99.75	5.313%
1/28/2022	Athenahealth*	Bain Capital	B3 / B-	LBO	\$5,900	SOFR+350, 0.50% @ 99.5	4.125%
1/28/2022	Bausch Health	Not Sponsored	B2 / B+	Recap/IPO	\$2,500	SOFR+CSA+525, 0.50% @ 99	6.000%
1/27/2022	Embecka Corp	Not Sponsored	Ba3 / B+	Spinoff	\$1,150	SOFR+300, 0.50% @ 99.5	3.625%

Sources: Lipper FMI, Morgan Markets

1. 4B rating (BB/Ba2), 2B rating (B/B2)

2. 90-day rolling average

\* Denotes Cain Brothers/KeyBanc Capital Markets participation



## Healthcare News

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### Healthcare Data Breaches Hit All-Time High in 2021, Impacting 45M People<sup>1</sup>

Fierce Healthcare | February 1, 2022

As health systems and hospitals are under unprecedented stress from the COVID-19 pandemic, their IT departments also are facing critical skills and staffing shortages as they battle unrelenting cyberattacks. Cybersecurity breaches hit an all-time high in 2021, exposing a record amount of patients' protected health information (PHI), according to a report from cybersecurity company Critical Insights. In 2021, 45 million individuals were affected by healthcare attacks, up from 34 million in 2020. That number has tripled in just three years, growing from 14 million in 2018, according to the report, which analyzes breach data reported to the U.S. Department of Health and Human Services (HHS) by healthcare organizations. "Whether the attack vector is ransomware, credential harvesting or stealing devices, the healthcare industry is a prime target for attackers to monetize PHI and sell on the Dark Web or hold an entity ransom unable to deliver patient care," said John Delano, healthcare cybersecurity strategist at Critical Insight and vice president at Christus Health, in a statement. "As we continue into 2022, healthcare organizations need to be on guard not only of their cybersecurity posture but also of third party vendors that have access to data and networks."

### HHS: Disparities in Video Telehealth Use Highlight Key Barriers to Access<sup>2</sup>

Fierce Healthcare | February 2, 2022

While telehealth use exploded during the pandemic, a new federal study found massive income disparities in video versus audio services. Department of Health and Human Services' Assistant Secretary for Planning and Evaluation (ASPE) released a survey Tuesday on telehealth use rates from April to October of last year. The report urged more equitable access to telehealth so that disparities don't become permanent. The survey of 808,368 U.S. adults found that 1 in 4 respondents used telehealth over the previous month. Overall, telehealth usage from April to October was below rates from 2020 at the onset of the pandemic but still far above pre-pandemic levels. "Among telehealth users, the highest share of visits that utilized video services occurred among young adults ages 18 to 24 (72.5%), those earning at least \$100,000 (68.8%), those with private insurance (65.9%) and White individuals (61.9%)," the ASPE study said. But video telehealth rates plummeted among those who don't have a high school diploma (38.1%) and adults 65 and older (43.5%). Video rates were also low among Latinos (50.7%), Asians (51.3%) and African Americans (53.6%).

### Staffing Firms Defend Traveling Nurse Rates as Industry Groups, Congress Push for Investigation<sup>3</sup>

Healthcare Dive | February 3, 2022

As healthcare staffing shortages persist across the U.S., hospitals, their lobbies and elected officials are pushing for greater scrutiny into travel nurse staffing agencies and the elevated rates they've charged hospitals for temporary staff throughout the pandemic. At the same time, legislators in some states are even looking to cap the rate hospitals can pay agencies for temporary nursing staff. But staffing firms are crying foul, defending the rates as reasonable due to the toll the job takes on nurses as they work through the pandemic. From January 2020 to this January, advertised pay rates for travel nurses jumped 67%, with staffing firms billing hospitals an additional 28% to 32% over those pay rates, according to Proculent Health, a workforce data and technology company. In a letter sent to White House officials on Friday, American Hospital Association, along with the nursing home lobby, said staffing agencies are "exploiting" the staffing shortages by charging "uniformly high prices" in a coordinated way.

## Healthcare News Continued...

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### From Amazon to New Balance, Consumer Brand Execs Bring 'Outsider' Perspective to Healthcare<sup>1</sup>

**Fierce Healthcare | February 4, 2022**

Massachusetts-based health system Wellforce recently appointed its first ever chief consumer officer, tapping an executive from a well-known sneaker brand Christine Madigan. The move comes amid a rising trend in healthcare: executives sourced from outside the industry, and in particular from consumer brands, to lead innovation strategies. Fierce Healthcare spoke to several, some of whom have been in their roles for years. They agree that while there are many transferrable skills, there is also an advantage to being an outsider. Aaron Martin, chief digital officer at Providence St. Joseph Health, who joined the health system from Amazon in 2016 stated that “Bringing the patient focus—what we called at Amazon ‘customer obsession’—to Providence was key.” To drive innovation at scale, Martin sees a disciplined strategy as key. At Amazon, that looked like picking an area to impact and measuring the value of closing that gap. Applying that to Providence, Martin worked with the clinical team to discover patients in need of low-acuity care were going to other providers instead of to Providence. So Providence launched ExpressCare, offering virtual appointments to recapture those patients and establish continuity of care.

### California Inks Sweetheart Deal with Kaiser Permanente, Jeopardizing Medicaid Reforms<sup>2</sup>

**Modern Healthcare | February 4, 2022**

California Gov. Gavin Newsom’s administration has negotiated a secret deal to give Kaiser Permanente a special Medicaid contract that would allow the healthcare behemoth to expand its reach in California and largely continue selecting the enrollees it wants, which other health plans say leaves them with a disproportionate share of the program’s sickest and costliest patients. The deal, hammered out behind closed doors between Kaiser Permanente and senior officials in Newsom’s office, could complicate a long-planned and expensive transformation of Medi-Cal, the state’s Medicaid program, which covers roughly 14 million low-income Californians. It has infuriated executives of other managed-care insurance plans in Medi-Cal, who say they stand to lose hundreds of thousands of patients and millions of dollars a year. The deal allows KP to limit enrollment primarily to its previous enrollees, except in the case of foster kids and people who are eligible for both Medicare and Medi-Cal.

### Investments into Youth-Focused Providers Increase as Children’s Mental Health Conditions Worsen<sup>3</sup>

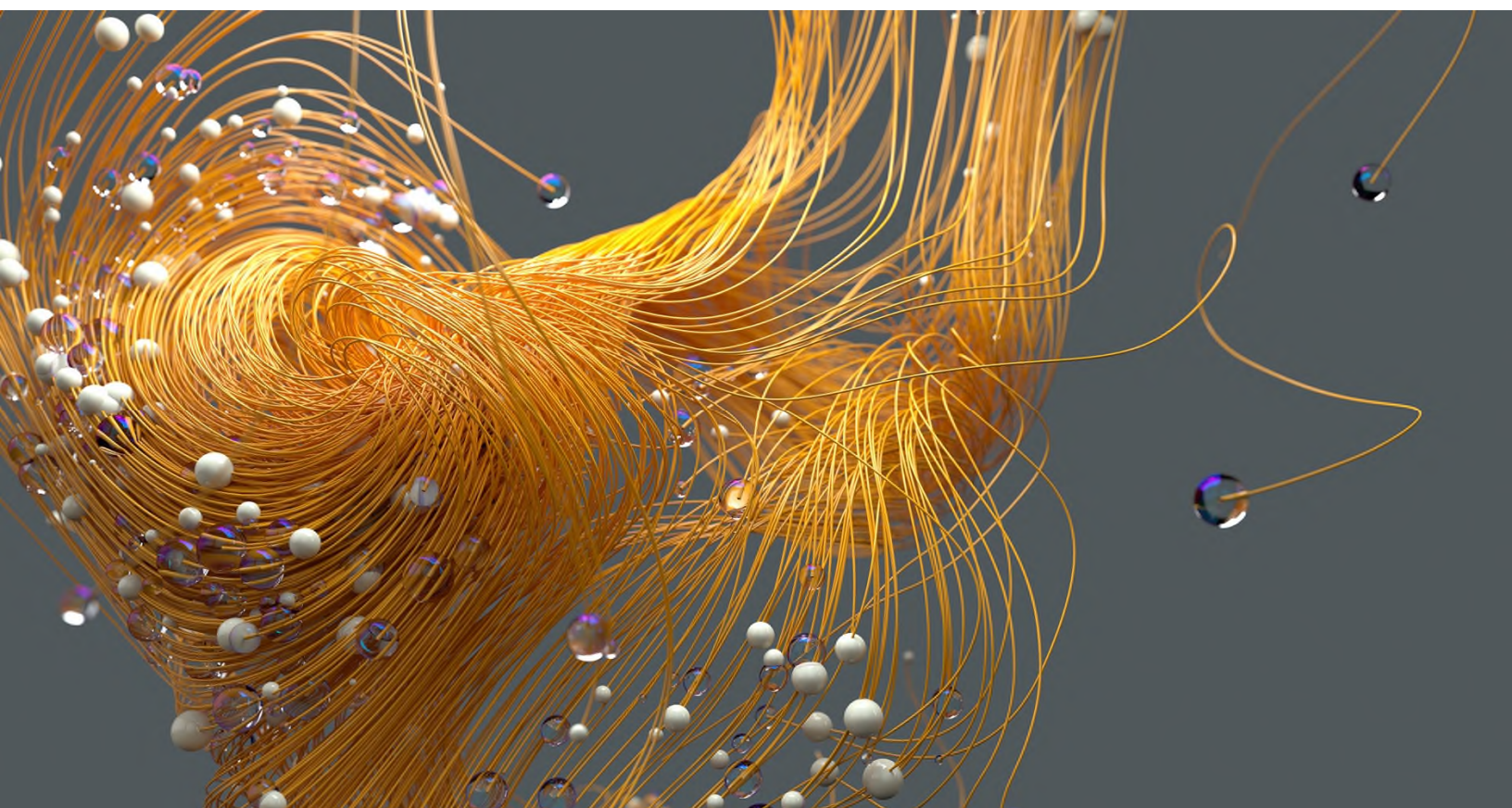
**Behavioral Health Business | February 6, 2022**

The pandemic and other factors have contributed to worsening mental health conditions for a number of Americans since the beginning of 2020, but particularly so for young people. There is a growing consensus that youth mental health – more than ever – is a serious issue, as an estimated 31% of American parents have children whose emotional state has declined during the pandemic. And subsequently, youth behavioral health providers are trying to meet the need for assistance. The serious state of young Americans’ mental health was also recently underscored by a declaration made by U.S. Surgeon General Dr. Vivek Murthy. “Even before the pandemic, an alarming number of young people struggled with feelings of helplessness, depression, and thoughts of suicide — and rates have increased over the past decade,” Murthy said while issuing an advisory last month on youth mental health, effectively declaring it a national public health issue.

February 16, 2022

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**



**This week's banker commentary:**  
**A Primer on Blockchain in Healthcare**

# Industry Insights

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- Industry Insights
- Healthcare M&A Activity
- Healthcare Equity Private Placement Activity
- Public Equity Capital Markets Activity & Indices
- Tax-Exempt Debt Markets
- Corporate High Grade, High Yield & Leveraged Loan Market
- Healthcare News
- Cain Brothers Recent Transactions Spotlight
- Cain Brothers Recent Transactions



## A Primer on Blockchain in Healthcare

*Banker Commentary by David Iklodi*

While it may seem like a foreign buzzword related to volatile cryptocurrency and speculative assets, blockchain technology is revolutionary and highly relevant to the future state of healthcare.

According to Healthcare Weekly, 40% of industry executives see blockchain technology as a top five priority. Further, the adoption of blockchain in healthcare could save \$100-150 billion dollars annually by 2025 due to its ability to reduce costs, streamline administrative processes and improve access to information. Below I will outline the fundamental elements of blockchain technology, walk through specific use cases in healthcare, and introduce companies that are developing blockchain solutions to tackle difficult challenges in healthcare today.

### What is Blockchain Technology?

The National Institute of Standards and Technology defines blockchain as “tamper evident and tamper resistant digital ledgers implemented in a distributed fashion (i.e., without a central repository) and usually without a central authority (e.g., a bank, company, or government).”

Data or transactions known as “blocks” are linked together by mathematical algorithms stored in shared ledgers and supported by a network of connected processes called nodes. Nodes maintain a copy of the entire chain and are continually updated and kept in-sync. This eliminates the need for a central database and spreads the risk of a data breach among nodes in the network.

At a basic level, blockchain enables a community of users to record transactions or other relevant information digitally in a shared ledger that is maintained by a highly secure peer to peer network. The dynamic solution has potential to solve pressing issues across the healthcare landscape.

### Select Use Cases

The use of blockchain technology in healthcare is about increasing the security of various transactional activities while eliminating bureaucracy and manual inefficiencies to improve quality of care and democratize relevant datasets. Outlined below are relevant use cases where the technology is currently being deployed.



## Industry Insights

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**Securing Patient Data:** In 2018, there was at least one data breach of healthcare records every day. Further, between 2009 and 2018, more than 59% of the U.S. population had their healthcare records compromised from data breaches. Blockchain's ability to keep an immutable record and decentralization of the network makes it well-suited for storing secure data. Companies like Akiri, based in Foster City, CA leverage blockchain technology to offer network-as-a-service to ensure that healthcare data remains secure and shareable with only authorized parties. Further, the FDA has started an initiative to define the best way of using blockchain to exchange health data. With these efforts underway, it is highly likely that others will follow.

**Medical Record Management:** Miscommunication costs the healthcare industry \$11B per year, and 86% of mistakes made in the industry are administrative. The process of obtaining access to medical records is highly time consuming and often inaccurate, which drains resources that could instead be devoted to providing care. Blockchain creates one ecosystem of patient data that can be accessed by anyone involved in treatment, including doctors, hospitals, and pharmacists. Companies like Avaneer Health, backed by Aetna, Anthem, and the Cleveland Clinic, are using blockchain technology to support better claims processing and to secure healthcare data exchanges and organized provider directories. Other companies, like Atlanta, GA based Patientory, are using blockchain to enable the secure storage and transfer of important medical information.

**Supply Chain Management:** One of the main issues in pharma is counterfeit medicines entering the market. A likely driver of this is the lack of a secure digital platform. Current systems do not transfer information to one another, making it difficult for pharma companies to follow their products from lab to consumer. A decentralized blockchain solution ensures that data cannot be manipulated, while all relevant parties have access to the information and detailed records for each stage of the distribution process, leaving minimal opportunity for counterfeit drugs to enter the market. Further application could allow for monitoring of labor costs and waste emissions. Companies like San Francisco-based Chronicled are building blockchain networks that demonstrate chain of custody to ensure safe arrival and detailed review of drug shipments. Others like Tierion, based in Mountain View, CA are leveraging blockchain to maintain a clear possession history within medical supply chains.

While blockchain is still nascent in the healthcare industry, the technology has broad applicability and is a near-term priority for executives across the industry facing critical challenges, such as rising costs, administrative burden, and access to information. Increased security, reduced bureaucracy and improved efficiency generated by the blockchain have significant opportunity to address critical industry challenges while improving quality of care.



# Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
2/11/2022	Forefront Dermatology (OMERS)	Partners Group	NA	NA	NA	Diversified dermatology group practice with over 200 dermatology clinics across 22 states
2/10/2022	Medical Marketing Solutions Group	Red Nucleus (Riverside Company)	NA	NA	NA	Provider of strategic services, scientific communication, and operational and event management services to biopharmaceutical companies and brands
2/10/2022	Pharma Intelligence (Informa)	Warburg Pincus	NA	NA	NA	Provider of specialist intelligence, data, and software for clinical trials, drug development, and regulatory compliance
2/11/2022	Crozer Health (Prospect)	Christiana Care Health System	NA	NA	NA	Includes: of Crozer-Chester Medical Center, Delaware County Memorial Hospital, Taylor Health, Springfield Hospital
2/10/2022	Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital (Prospect)	Yale New Haven Health	NA	NA	NA	Connecticut health systems
2/3/2022	Premier Care Associates	Genuine Health Group	NA	NA	NA	Provider organization that enters into full-risk agreements with Medicare Advantage plans
2/3/2022	SOC Telemed (NASDAQ: TLMD)	Patient Square Capital	\$310	NM	NM	National provider of acute care telemedicine
2/2/2022	Evolution Health (Envision Healthcare)	Amedisys (NASDAQ: AMED)	NA	NA	NA	Home health company serving more than 3,300 home health patients daily across Texas, Oklahoma and Ohio
2/1/2022	Oceans Healthcare	Webster Equity Partners	NA	NA	NA	Provider of inpatient and outpatient treatment with a special focus on physical and emotional needs of older adults
2/1/2022	Epiphany Dermatology	Leonard Green & Partners	NA	NA	NA	Dermatology provider network of 90+ board-certified dermatologists and fellowship-trained subspecialists in 67 clinics across 12 states
1/31/2022	Advanced Reproductive Center	MKH Capital Partners	NA	NA	NA	Fertility practice management services organization
1/28/2022	MyChem	Maravai LifeSciences (NASDAQ: MRVI)	\$240	NA	NA	Provider of proprietary, ultra-pure nucleotides to customers in the diagnostics, pharma, genomics and research markets
1/27/2022	Learn to Live	Concord Health Partners	NA	NA	NA	Online cognitive behavioral therapy provider
1/26/2022	DoseSpot	PSG	NA	NA	NA	Software-as-a-service for clinicians to electronically write and transmit prescriptions to pharmacies
1/26/2022	Midwest Medical Transport (Panorama Point Partners)	Harbour Point Capital	NA	NA	NA	Provider of ambulance transportation services
1/26/2022	PRIA Healthcare	Aldrich Capital Partners	NA	NA	NA	Patient access and reimbursement solutions company
1/24/2022	Texas Endovascular Associates	Fulcrum Equity Partners	NA	NA	NA	Specialty physician practice within Interventional Radiology with a focus on women's health and non-cosmetic vascular and arterial treatments
1/20/2022	Alliance Animal Health	L Catterton	NA	NA	NA	Operator of veterinary hospitals for companion animals
1/20/2022	APT Healthcare	York Private Equity	NA	NA	NA	Putpatient physical therapy platforms in the Mid-Atlantic
1/19/2022	Providence Care	InTandem Capital Partners	NA	NA	NA	Provider of post-acute and end-of-life services in South Carolina

# Healthcare Equity Private Placements Activity

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

Date	Company	Investor(s)	Type	Amount	Description
2/10/2022	Superconductive	Tiger Global (lead), CRV and Root Ventures	Series B	\$40	Artificial intelligence-based healthcare data collaboration and data integration software
2/3/2022	ConcertoCare	Wells Fargo Strategic Capital (lead), Obvious Ventures, Vast Ventures, The Schusterman Family Foundation, SteelSky Ventures, Pennington Partners, and Deerfield Management	Series B	\$105	Provider of at-home, comprehensive care for seniors and other adults
2/1/2022	Jasper Health	General Catalyst (lead), Human Capital, W Health Ventures, Redesign Health, and 7wireVentures	Series A	\$25	Cancer care navigation and experience platform
2/1/2022	Physician Partners	Kinderhook Industries	Undisclosed	\$500	Value-based primary care physician group and MSO serving over 137,000 members through a network of over 545 physicians throughout Florida.
1/27/2022	The Vets	Target Global, PICO Venture Partners and Bolt Ventures (co-leads)	Undisclosed	\$40	Tech-enabled pet healthcare platform that provides at-home care
1/25/2022	Reimagine Care	Santé Ventures, Martin Ventures, and LRVHealth (co-leads), the CU Healthcare Innovation Fund, City of Hope, McKesson Ventures and Sable Investments	Series A	\$25	Provider of technology-enabled services that supports oncologists to deliver home-centered, value-based cancer care
1/25/2022	Sollis Health	Torch Capital and Denali Growth Partners (co-leads), Strand Equity, Read Capital and other individual investors	Series A	\$30	Members-only 24/7 medical concierge service
1/24/2022	A Place for Mom	Insight Partners (lead), General Atlantic and Silver Lake	Growth	\$175	Marketplace for senior care services
1/19/2022	Gale Healthcare Solutions	FTV Capital	Growth	\$60	Technology-enabled healthcare services and payments platform that provides per diem, contract, and travel temporary staffing
1/19/2022	Wheel Health	Lightspeed Venture Partners and Tiger Global (co-leads), CRV, Tusk Ventures, Silverton Partners, Coatue and Salesforce	Series C	\$150	Tech-enabled marketplace for healthcare companies and clinicians
1/19/2022	Lyra Health	Dragoneer (lead), Salesforce Ventures, Coatue	Undisclosed	\$235	Provider of workforce mental health solutions for employers
1/14/2022	Verana Health	Johnson & Johnson Innovation and Novo Growth (co-leads), GV, Casdin Capital, Brook Byers, Merck Global Health Innovation, THVC, and Breyer Capital	Series E	\$150	Real-world data network that delivers drug lifecycle and medical practice insights
1/10/2022	Medically Home	Baxter, Global Medical Response, Cardinal Health, Mayo Clinic and Kaiser Permanente	Strategic	\$110	Enables health systems to safely care for their patients at home, across the care continuum, including hospital-level care
1/13/2022	DexCare	Transformation Capital (lead), Kaiser Permanente, Providence Ventures, Mass General Brigham, Define Ventures, Frist Cressey Ventures, and SpringRock Ventures	Series B	\$50	Platform-as-a-Service for health systems

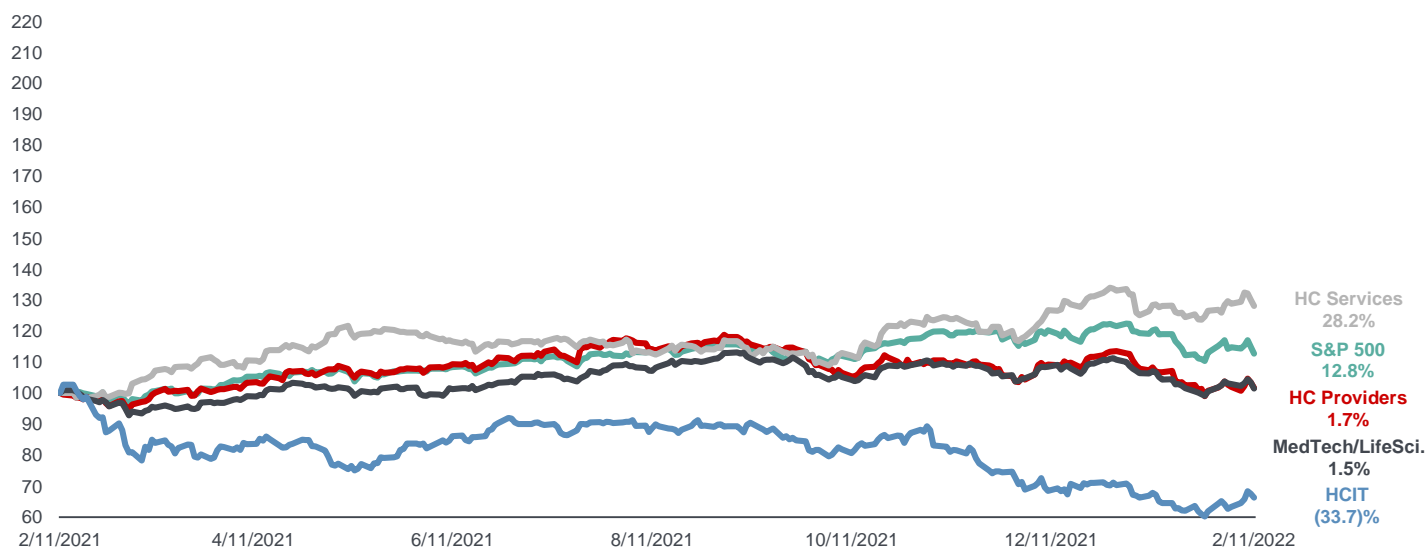
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of February 11, 2022

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	35,090	34,738	10.5%	(1.0%)
S&P 500	4,501	4,419	12.8%	(1.8%)
NASDAQ	14,098	13,791	(1.7%)	(2.2%)
Russell 2000	2,002	2,030	(11.2%)	1.4%
NYSE Healthcare	23,078	22,760	11.3%	(1.4%)

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	32.5%	0.8%
Alternate Site Services	(2.4%)	(0.7%)
Diagnostics	(4.5%)	(0.6%)
Distribution	18.6%	1.5%
Healthcare IT	(33.7%)	4.5%
Healthcare REITs	1.1%	0.2%
Managed Care	36.6%	(0.0%)
Medical Technology	0.2%	(1.7%)
Outsourced Services	(1.8%)	(1.2%)
Pharma Services	9.5%	(2.1%)
Pharmacy	27.0%	(3.0%)
Post-Acute Care	(5.6%)	1.4%

## 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
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 February 11, 2022

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	2.48%	2.29%	1.74%
AA Tax-Exempt Hospital Bonds (30-Yr)	2.28%	2.09%	1.49%
SIFMA (Variable Rate Demand Notes)	0.17%	0.11%	0.03%
Revenue Bond Index	2.32%	2.23%	2.47%
SIFMA/1 Month LIBOR	141.67%	100.00%	27.27%
RBI/30 Yr Treasury (%)	103.57%	100.00%	122.89%
30-Year Floating to Fixed Swap (81% LIBOR)	1.70%	1.69%	1.40%

## 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
Orlando Health Obligated Group	\$321.415	FL	OCHF	2052	2032 (C)	4.00%	2.81%	3.45%	2.03%
East Alabama Healthcare Authority <sup>(a)</sup> (Bank Direct Purchase)	\$28.000	AL	EAHCA	2048	2023 (C)	5.00%	3.63%	4.91%	2.03%
East Alabama Healthcare Authority <sup>(a)</sup> (Bank Direct Purchase)	\$27.900	AL	EAHCA	2037	2032 (C)	5.00%	2.75%	3.37%	2.03%
Kendal at Lexington (Forward Delivery)	\$18.910	VA	LVIDA	2048	2032 (C)	4.00%	3.64%	3.83%	2.03%
<b>Total</b>	<b>\$396.225</b>								

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

(a) Bank of America as Purchaser, \$28.000MM Tranche: Federally Bank Qualified

1. Bloomberg, Capital IQ

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

Issuer	Date	Amount	Rating
Mount Nittany Medical Center Taxable Revenue Bonds, Series 2022 Corporate CUSIP	2/15/2022	\$300.000	NR / A+ / AA-
Public Finance Authority Revenue Bonds (The Obligated Group of National Senior Communities, Inc.) (Linden Ponds) Series 2022	2/17/2022	\$40.700	NR / NR / A
Public Finance Authority Revenue Bonds (Viticus Group Project)	2/17/2022	\$21.395	NR / NR / NR

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

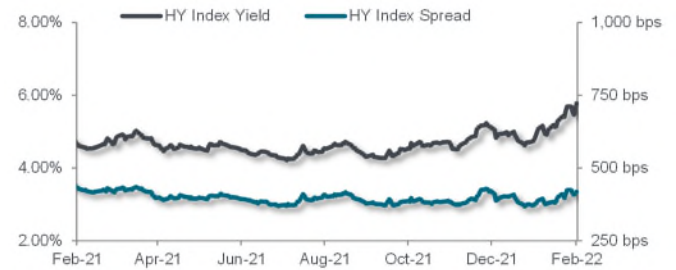
### High Yield

- Last week saw a \$2.0 billion outflow, which follows the prior week's outflow of \$4.0 billion; 2022 net outflows YTD total \$12.6 billion, which compares to 2021 YTD net outflows of \$2.3 billion

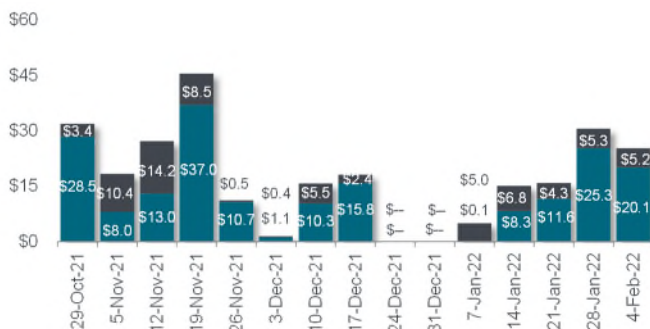
### Leveraged Loans

- Leveraged loan funds reported an inflow totaling \$2.3 billion last week, which follows the prior week's inflow of \$1.3 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

	3Q21	4Q21	30-Day Rolling Average		
			December 2021	January 2022	02/10/22
Overall	4.78%	4.73%	4.96%	4.89%	4.95%
4B	3.45%	3.26%	2.73%	3.28%	3.62%
2B	5.02%	4.86%	5.19%	5.05%	5.05%
Middle Market	5.75%	6.01%	6.16%	6.46%	6.19%

## 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
2/2/2022	Mednax	Sr. Notes	\$400	Ba3/B+	5.375%	2/15/2030	364 bps	5.375% area
1/27/2022	Athenahealth	Sr. Notes	\$2,350	Caa2/CCC	6.500%	2/15/2030	475 bps	6.50% area
1/27/2022	Embecka	Sr. Sec. Notes	\$500	Ba3/B+	5.000%	2/15/2030	323 bps	5.00% area
1/27/2022	Bausch Health	Sr. Sec. Notes	\$1,000	Ba3/BB	6.125%	2/1/2027	447 bps	6.25% area

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

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
2/11/2022	Confluent Medical Technologies	Texas Pacific Group	B3 / B	LBO	\$395	SOFR+375, 0.50% @ 99.5	4.375%
2/8/2022	Pediatric Associates	Texas Pacific Group	B2 / B	Recap/Equity Infusion	\$660	L+325, 0.50% @ 99.5	3.875%
2/3/2022	Athletico Physical Therapy	BDT Capital Partners	B2 / B	Acquisition	\$875	SOFR+CSA+425, 0.50% @ 99.5	4.875%
2/3/2022	Physician Partners	Kinderhook Industries	B2 / B	LBO	\$600	SOFR+CSA+400, 0.50% @ 99	4.750%
2/2/2022	Symplr	Clearlake Capital Group	B3 / B-	Acquisition	\$300	SOFR+CSA+450, 0.75% @ 99.75	5.313%
1/28/2022	Athenahealth*	Bain Capital	B3 / B-	LBO	\$5,900	SOFR+350, 0.50% @ 99.5	4.125%



## Healthcare News

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### Epic To Showcase New CRM System And More At HIMSS22<sup>1</sup>

Healthcare IT News | February 9, 2022

Epic representatives gave a sneak peek at the company's plans for the HIMSS22 Conference and Exhibition this March – including the announcement of Cheers, a new customer relationship management system. "The booth will show off how healthcare organizations can use Cheers to help folks shopping or looking for care, complete an easy intake process, access direct care and remain engaged outside the four walls of a health system," said Sam Seering, a member of the implementation services – CRM team at Epic. "We'll demonstrate how Cheers weaves together tens of thousands of data elements and validated insights to help systems know their populations, anticipate their needs and help them navigate their health journeys through omnichannel experiences," Seering added.

### Staffing Overtakes Financial Challenges as Top Concern Among Hospital CEOs<sup>2</sup>

Healthcare Deep Dive | February 7, 2022

Hospitals continue to deal with some of the same challenges they faced at the start of the pandemic, even as some concerns now are more acute such as staffing. In early January, a quarter of U.S. hospitals reporting their data to the HHS said they faced critical staffing shortages, according to the agency. While earlier shortages were characterized by staff calling in sick and school closures, stress and burnout now are leading to rising turnover with many healthcare staff at their breaking points. ACHE's survey includes responses from 310 community hospital CEOs who are ACHE members. "Both long- and short-term solutions are needed to address the shortages in critical front-line staff shown in our study to ensure hospitals have workforces that can meet the demands for safe, high-quality care both today and in the future," ACHE president Deborah Bowen said in a statement. Increasing the pipeline of staff and organization-level efforts to boost retention are long-term solutions to staffing challenges, Bowen added.

### Congress Poised to Address Mental Health Crisis — Including Fining Payers for Benefit Inequities<sup>3</sup>

Healthcare Deep Dive | February 4, 2022

Congress appears poised to work on a bipartisan mental health and substance misuse package this year, following a series of hearings this week stressing the need to boost the workforce, insurer benefits and telehealth access. Legislators also seemed to support giving federal departments more power to force health insurers to comply with parity laws, following a report in late January finding widespread inequities between mental and medical benefits in the U.S. that sent physician groups up in arms. The Senate committee on Health, Education, Labor and Pensions held a hearing on the U.S. mental health crisis on Tuesday, followed one day later by the House Ways and Means committee — that body's first hearing on mental health in more than a decade. The renewed push comes as the pandemic continues to exacerbate already acute mental health and substance use disorder challenges in the U.S., including inequities in care access and a workforce stretched exceedingly thin. Over the past two years during COVID-19, rates of conditions like anxiety and depression have soared, and the country has seen record numbers of drug overdose deaths.

## Healthcare News Continued...

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### Senators Introduce Bipartisan Bill to Extend Patient Access to Telehealth Through 2024<sup>1</sup>

**Fierce Healthcare | February 8, 2022**

Two U.S. senators introduced bipartisan legislation Monday to extend current Medicare telehealth reimbursement waivers an additional two years following the end of the public health emergency. If passed, the bill, the Telehealth Extension and Evaluation Act (PDF), would also extend current Drug Enforcement Administration telehealth prescribing waivers for two years after the COVID-19 PHE period. The legislation would allow the Centers for Medicare & Medicaid Services to extend Medicare payments for a broad range of telehealth services, including substance abuse treatment, for an additional two years. The bill would also commission a study on the impact of the pandemic telehealth flexibilities extended in the bill in order to better inform Congress' work to make telehealth flexibilities permanent. Many healthcare groups applauded the legislation as a way to expand access to virtual care. Last week, more than 330 organizations, including EHI, the Alliance for Connected Care and the American Telemedicine Association, sent a letter to congressional leaders calling for temporary extension of telehealth waivers as a pathway toward permanent telehealth policies.

### Commercial Payers Driving Cases To ASCs; Orthopedics Most Primed For Growth<sup>2</sup>

**Becker's ASC Review | February 7, 2022**

A growing number of commercial insurers are revamping policies to push providers and patients out of the hospital and into ASCs, where procedures can be performed at a lower cost. Prior to the COVID-19 pandemic, UnitedHealthcare adopted a policy that restricted sites of care for some nonurgent surgeries and was projected to save beneficiaries \$500 million in 2020, according to The National Law Review. Since November 2019, the payer reimburses only for surgeries performed in hospital outpatient departments if the setting is medically necessary based on the acuity of the patient. Anthem, which has 40 million members across 14 states, followed suit in an August 2020 clinical utilization management guideline that limited the use of HOPDs. According to Anthem, the use of outpatient hospital surgical facilities are medically necessary if the procedure is of a level of complexity that it cannot be safely performed in a less intensive setting or "the individual has clinical conditions which may compromise the safety of an office-based procedure," such as conditions that require enhanced anesthesia monitoring, medications or prolonged recovery, or where the patient is at an increased risk for complication because of severe comorbidity.

### How Remote Work And Social Media Are Creating A Plastic Surgery Boom<sup>3</sup>

**CNBC | February 8, 2022**

Plastic surgery has been booming over the past decade. Pop culture and social media helped to influence a new generation of people being proud and transparent about cosmetic enhancements. But in 2020, things took a dip. Hospitals and centers closed, staff members were laid off and elective surgeries came to a halt. However, the plastic surgery industry bounced back strong. Experts point to a phenomenon called the "Zoom effect" or the "Zoom Boom." Covid limitations shifted in-person meetings and social events to video calls, meaning more people became hyper-critical of their facial features. That dissatisfaction led to a much higher interest in plastic surgery above the shoulder. Some patients are motivated by the downtime spent at home. An increase in work-from-home policies at some U.S. employers allows for patients to fully recover at home without using their paid time off. Others are motivated by the ability to recover in plain sight — more and more people are getting procedures done on features that are covered by their masks. The opposite is also having a moment — surgeons report an increase in patients getting work done above the nose since those features are highlighted when a person is wearing a mask.

1. <https://www.fiercehealthcare.com/health-tech/senators-introduce-bipartisan-bill-extend-patient-access-telehealth-through-2024>

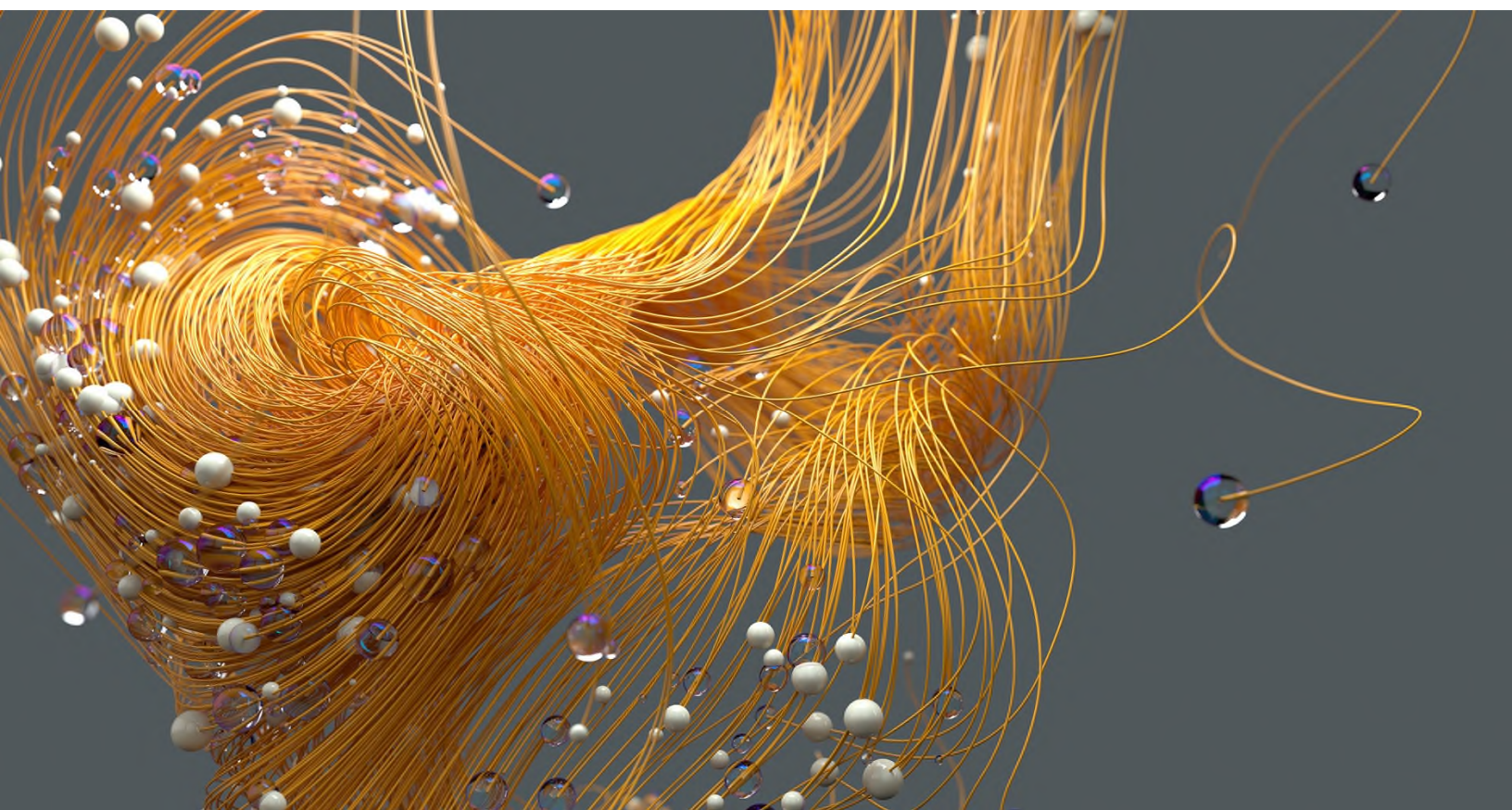
2. <https://www.beckersasc.com/asc-coding-billing-and-collections/commercial-payers-driving-cases-to-asc-orthopedics-most-primed-for-growth.html>

3. <https://www.cnn.com/2022/02/08/plastic-surgery-is-booming-thanks-to-remote-work-and-social-media.html>

February 24, 2022

# **Cain Brothers Industry Insights**

## **Healthcare Weekly Market Report**

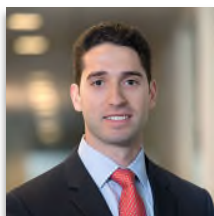


**This week's banker commentary:**  
**'Hearty' Growth Not for the Faint of Heart**

# Industry Insights

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- Industry Insights
- Healthcare M&A Activity
- Healthcare Equity Private Placement Activity
- Public Equity Capital Markets Activity & Indices
- Tax-Exempt Debt Markets
- Corporate High Grade, High Yield & Leveraged Loan Market
- Healthcare News
- Cain Brothers Recent Transactions Spotlight
- Cain Brothers Recent Transactions



## 'Hearty' Growth Not for the Faint of Heart

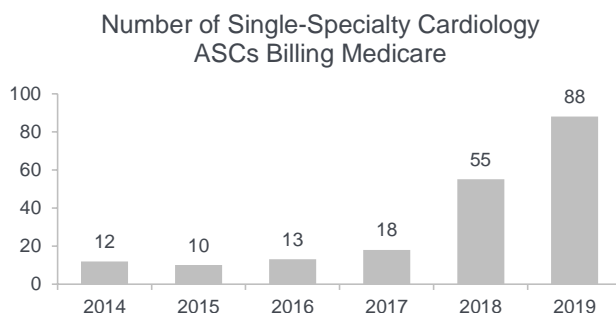
Banker Commentary by Jonah Schutzman

The aphorism “rising tide lifts all boats” is a core theme for investors seeking new sectors. But, when it comes to the cardiovascular physician practice market, the industry tailwinds and recent regulatory changes driving investment and consolidation in the space is more like a rising “tsunami.” As the U.S. healthcare system is in the midst of its shift to value, the cardiovascular specialty will benefit from scale, investment, and technological innovation, and will surely start to attract a wave of new capital for the following reasons.

### Regulatory Changes Already Driving Investments into Cardiology Focused ASCs

Regulatory changes have proven that certain procedures are better suited in an outpatient setting, which has created a new vehicle for investors (both physician

business owners and outside investors) to participate in this new ancillary revenue stream. According to MedPac’s March 2021 report, cardiology focused ASCs have grown from 12 to 88 in 2019. This growth is in its infancy and can grow 10x that



amount if you compare it to other single specialty ophthalmology and gastroenterology ASCs (~1,000+ dedicated to each specialty).

The shift to outpatient settings began in 2005 when Medicare approved outpatient arterial endovascular interventions. More recently, in 2019, CMS changed the ASC rules’ definition of surgery to include “surgery-like” procedures. This move resulted in the expansion of the ASC list to cover cardiac catheterization and interventional procedures and the addition of 17 cardiac catheterization-related procedures to the ASC list. Following that move, in its CY2020 final rule, CMS authorized 6 more procedures that relate to the provision of percutaneous coronary interventions.

As the industry looks for ways to lower costs and improve outcomes, regulators have shown that moving certain cardiovascular procedures away from hospitals is one way to do that. Outside capital will be needed to make this transition, and the growth in recent years is just the start of a new wave of capital to enter the space.



# Industry Insights

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## ***Shift to APMs is Underway but Scale/Consolidation is Needed to Succeed***

Despite tremendous progress and innovation in addressing cardiovascular disease (CVD) over the past half century, improving value in CVD care remains an issue. In the United States, heart disease has been the number one cause of death since 1921 and stroke the third leading cause of death since 1938; together, they account for ~40% of all U.S. deaths. Its clinical outcomes vary tremendously and without a targeted effort to address CVD, the U.S. transition to value will be difficult. This sector is in the early stages of this transition and will benefit from a multi-pronged approach to APMs, which will require scale and investment to be successful.

Episode-based bundle payments for acute CVD procedures can benefit the system and have shown to take waste out and to drive efficiencies. A few years back, Medicare proposed cardiac bundled payments for certain cases, but it failed to get approved. Despite that hurdle, certain large independent practices began to individually negotiate bundles with certain commercial payors and have been met with high marks of patient satisfaction and outcomes.

The industry could also benefit from a cardiovascular-specific payment or risk-based model focused on patients' longitudinal needs for disease prevention and management (similar to cancer care and end-stage renal disease care models). While not specific to CVD, primary-care risk-based model has seen quite the investment and positive shift forward over recent years; however it's not enough to tackle the problem in its entirety. A third specialty-focused model will need to emerge to close the gap. Whatever model (or models) wins out, one thing is certain: investments to create scaled/dense platforms will be needed to drive efficiencies in order for meaningful change to occur.

There is no surprise that many physician specialties are being consolidated on the backdrop of aging demographics and benefits of scale, however the cardiovascular space is one that is early in its evolution. CVD is a real issue in the U.S. and will continue to strain the system as our population ages and the need for cardiac care multiples. Meaningful steps forward have been made to drive change and investment in the space but with the help of thought-leading cardiology physician leaders, investments from courageous private equity investors, and innovative new technologies and treatments on the horizon, the healthcare system can benefit significantly.



# Healthcare M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
2/17/2022	National Billing Partners	National Medical Billing Services (Aquiline Capital Partners)	NA	NA	NA	Full-service RCM company focused on the surgical market
2/16/2022	DentalXChange	Bregal Sagemount	NA	NA	NA	EDI technology for the dental industry
2/15/2022	Probo Medical (Varsity Healthcare Partners)*	Avista Capital Partners	NA	NA	NA	Diversified supplier of refurbished diagnostic imaging equipment
2/11/2022	Forefront Dermatology (OMERS)	Partners Group	NA	NA	NA	Diversified dermatology group practice with over 200 dermatology clinics across 22 states
2/10/2022	Medical Marketing Solutions Group	Red Nucleus (Riverside Company)	NA	NA	NA	Provider of strategic services, scientific communication, and operational and event management services to biopharmaceutical companies and brands
2/10/2022	Pharma Intelligence (Informa)	Warburg Pincus	NA	NA	NA	Provider of specialist intelligence, data, and software for clinical trials, drug development, and regulatory compliance
2/11/2022	Crozer Health (Prospect)	Christiana Care Health System	NA	NA	NA	Includes: of Crozer-Chester Medical Center, Delaware County Memorial Hospital, Taylor Health, Springfield Hospital
2/10/2022	Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital (Prospect)	Yale New Haven Health	NA	NA	NA	Connecticut health systems
2/3/2022	Premier Care Associates	Genuine Health Group	NA	NA	NA	Provider organization that enters into full-risk agreements with Medicare Advantage plans
2/3/2022	SOC Telemed (NASDAQ: TLMD)	Patient Square Capital	\$310	NM	NM	National provider of acute care telemedicine
2/2/2022	Evolution Health (Envision Healthcare)	Amedisys (NASDAQ: AMED)	NA	NA	NA	Home health company serving more than 3,300 home health patients daily across Texas, Oklahoma and Ohio
2/1/2022	Oceans Healthcare	Webster Equity Partners	NA	NA	NA	Provider of inpatient and outpatient treatment with a special focus on physical and emotional needs of older adults
2/1/2022	Epiphany Dermatology	Leonard Green & Partners	NA	NA	NA	Dermatology provider network of 90+ board-certified dermatologists and fellowship-trained subspecialists in 67 clinics across 12 states
1/31/2022	Advanced Reproductive Center	MKH Capital Partners	NA	NA	NA	Fertility practice management services organization
1/28/2022	MyChem	Maravai LifeSciences (NASDAQ: MRVI)	\$240	NA	NA	Provider of proprietary, ultra-pure nucleotides to customers in the diagnostics, pharma, genomics and research markets
1/27/2022	Learn to Live	Concord Health Partners	NA	NA	NA	Online cognitive behavioral therapy provider
1/26/2022	DoseSpot	PSG	NA	NA	NA	Software-as-a-service for clinicians to electronically write and transmit prescriptions to pharmacies
1/26/2022	Midwest Medical Transport (Panorama Point Partners)	Harbour Point Capital	NA	NA	NA	Provider of ambulance transportation services
1/26/2022	PRIA Healthcare	Aldrich Capital Partners	NA	NA	NA	Patient access and reimbursement solutions company
1/24/2022	Texas Endovascular Associates	Fulcrum Equity Partners	NA	NA	NA	Specialty physician practice within Interventional Radiology with a focus on women's health and non-cosmetic vascular and arterial treatments

# Healthcare Equity Private Placements Activity

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

Date	Company	Investor(s)	Type	Amount	Description
2/15/2022	Companion Spine	Viscogliosi Brothers	Series A	\$55	Non-invasive diagnostic and medical implant solutions for the treatment of degenerative disc disease and lumbar spinal stenosis
2/15/2022	Memora Health	Transformation Capital (lead), Andreessen Horowitz, Frist Cressey Ventures, Edward Elmhurst Health and AlleyCorp	Undisclosed	\$40	Technology platform for virtual care delivery and complex care management
2/15/2022	Ro	ShawSpring Partners (lead), General Catalyst, FirstMark Capital, TQ Ventures, SignalFire, BoxGroup, The Chernin Group, Initialized Capital, Altimeter Capital, Baupost Group, and Seven Seven Six	Undisclosed	\$150	Direct-to-patient healthcare company
2/10/2022	Superconductive	Tiger Global (lead), CRV and Root Ventures	Series B	\$40	Artificial intelligence-based healthcare data collaboration and data integration software
2/3/2022	ConcertoCare	Wells Fargo Strategic Capital (lead), Obvious Ventures, Vast Ventures, The Schusterman Family Foundation, SteelSky Ventures, Pennington Partners, and Deerfield Management	Series B	\$105	Provider of at-home, comprehensive care for seniors and other adults
2/1/2022	Jasper Health	General Catalyst (lead), Human Capital, W Health Ventures, Redesign Health, and 7wireVentures	Series A	\$25	Cancer care navigation and experience platform
2/1/2022	Physician Partners	Kinderhook Industries	Undisclosed	\$500	Value-based primary care physician group and MSO serving over 137,000 members through a network of over 545 physicians throughout Florida.
1/27/2022	The Vets	Target Global, PICO Venture Partners and Bolt Ventures (co-leads)	Undisclosed	\$40	Tech-enabled pet healthcare platform that provides at-home care
1/25/2022	Reimagine Care	Santé Ventures, Martin Ventures, and LRVHealth (co-leads), the CU Healthcare Innovation Fund, City of Hope, McKesson Ventures and Sable Investments	Series A	\$25	Provider of technology-enabled services that supports oncologists to deliver home-centered, value-based cancer care
1/25/2022	Sollis Health	Torch Capital and Denali Growth Partners (co-leads), Strand Equity, Read Capital and other individual investors	Series A	\$30	Members-only 24/7 medical concierge service
1/24/2022	A Place for Mom	Insight Partners (lead), General Atlantic and Silver Lake	Growth	\$175	Marketplace for senior care services
1/19/2022	Gale Healthcare Solutions	FTV Capital	Growth	\$60	Technology-enabled healthcare services and payments platform that provides per diem, contract, and travel temporary staffing
1/19/2022	Wheel Health	Lightspeed Venture Partners and Tiger Global (co-leads), CRV, Tusk Ventures, Silverton Partners, Coatue and Salesforce	Series C	\$150	Tech-enabled marketplace for healthcare companies and clinicians
1/19/2022	Lyra Health	Dragoneer (lead), Salesforce Ventures, Coatue	Undisclosed	\$235	Provider of workforce mental health solutions for employers

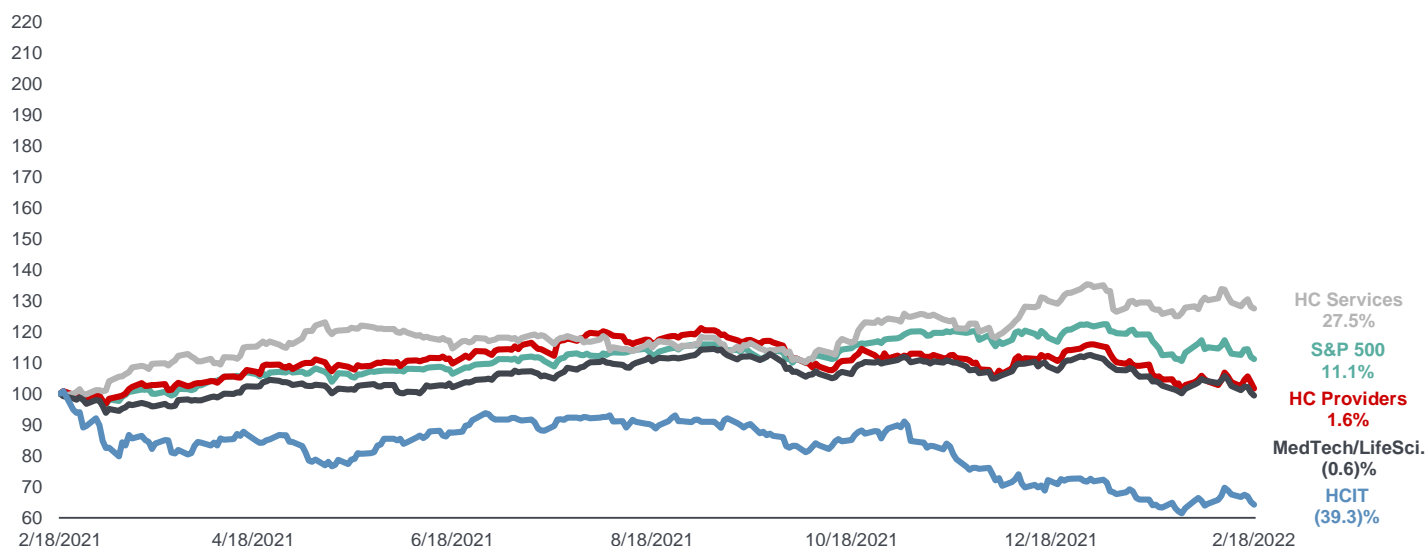
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of February 18, 2022

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	34,738	34,079	8.2%	(1.9%)
S&P 500	4,419	4,349	11.1%	(1.6%)
NASDAQ	13,791	13,548	(2.3%)	(1.8%)
Russell 2000	2,030	2,009	(9.4%)	(1.0%)
NYSE Healthcare	22,760	22,353	9.3%	(1.8%)

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	36.3%	1.9%
Alternate Site Services	4.1%	2.1%
Diagnostics	(6.5%)	(3.1%)
Distribution	24.1%	1.3%
Healthcare IT	(39.3%)	(4.9%)
Healthcare REITs	2.9%	1.1%
Managed Care	36.2%	(1.3%)
Medical Technology	(1.8%)	(3.0%)
Outsourced Services	(11.6%)	(0.5%)
Pharma Services	4.5%	(6.0%)
Pharmacy	27.3%	(2.6%)
Post-Acute Care	(6.9%)	(1.1%)

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



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

Issuer (Ticker)	Pricing Date	Offering	Deal Value	Mkt Cap. <sup>1</sup>	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 February 18, 2022

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	2.57%	2.48%	1.92%
AA Tax-Exempt Hospital Bonds (30-Yr)	2.37%	2.28%	1.67%
SIFMA (Variable Rate Demand Notes)	0.19%	0.17%	0.03%
Revenue Bond Index	2.45%	2.32%	2.54%
SIFMA/1 Month LIBOR	118.75%	141.67%	27.27%
RBI/30 Yr Treasury (%)	109.38%	103.57%	118.69%
30-Year Floating to Fixed Swap (81% LIBOR)	1.71%	1.70%	1.50%

## 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
Mount Nittany Medical Center <sup>(a)</sup> (Corporate CUSIP)	\$300.000	PA	NR / A+ / AA-	2052	MWC <sup>(a)</sup>	3.80%	3.80%	N/A	2.37%
Guardian Angels Health Services Inc. Project (Federally Bank Qualified)	\$9.895	MN	NR / NR / NR	2042	2028 (C)	3.75%	3.75%	N/A	2.02%
	\$309.895								

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

(a) Make whole call at 25 basis points

1. Bloomberg, Capital IQ

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

Issuer	Date	Amount	Rating
New Hope Cultural Education Facilities Finance Corp. Retirement Facility Revenue Bonds (Morningside Ministries Project) Series 2022	2/24/2022	\$53.960	NR / NR / BB+
Public Finance Authority Revenue Bonds (The Obligated Group of National Senior Communities, Inc.) (Linden Ponds) Series 2022	2/24/2022	\$40.700	NR / NR / A

1. Bloomberg, Capital IQ

# Corporate High Grade, High Yield & Leveraged Loan Market

## Market Overview

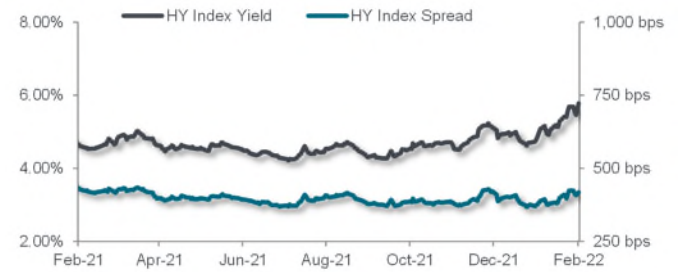
### High Yield

- Last week saw a \$3.6 billion outflow, which follows the prior week's outflow of \$2.0 billion; 2022 net outflows YTD total \$16.2 billion, which compares to 2021 YTD net outflows of \$3.9 billion

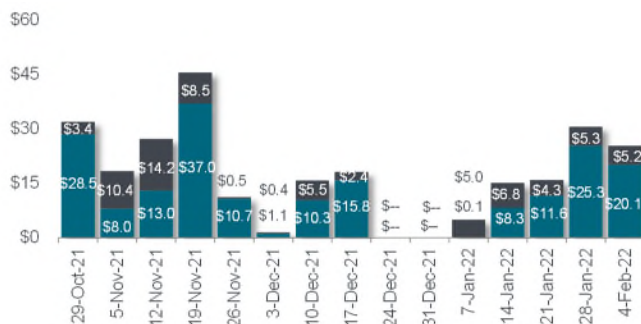
### Leveraged Loans

- Leveraged loan funds reported an inflow totaling \$1.8 billion last week, which follows the prior week's inflow of \$2.3 billion

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

	3Q21	4Q21	30-Day Rolling Average		
			December 2021	January 2022	02/17/22
Overall	4.78%	4.73%	4.96%	4.91%	5.06%
4B	3.45%	3.26%	2.73%	3.28%	3.72%
2B	5.02%	4.86%	5.19%	5.07%	5.17%
Middle Market	5.75%	6.01%	6.16%	6.46%	6.20%

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
2/17/2022	Amgen Inc	Sr Notes	\$750	Baa1 / A- / BBB+	3.000%	2/22/2029	+110	25 bps
2/17/2022	Amgen Inc	Sr Notes	\$1,000	Baa1 / A- / BBB+	3.350%	2/22/2032	+140	15 bps
2/17/2022	Amgen Inc	Sr Notes	\$1,000	Baa1 / A- / BBB+	4.200%	2/22/2052	+190	15 bps
2/17/2022	Amgen Inc	Sr Notes	\$1,250	Baa1 / A- / BBB+	4.400%	2/22/2062	+210	15 bps
2/15/2022	Bristol-Myers Squibb Co	Sr Notes	\$1,750	A2 / A+	2.950%	3/15/2032	+95	23 bps
2/15/2022	Bristol-Myers Squibb Co	Sr Notes	\$1,250	A2 / A+	3.550%	3/15/2042	+115	25 bps
2/15/2022	Bristol-Myers Squibb Co	Sr Notes	\$2,000	A2 / A+	3.700%	3/15/2052	+135	20 bps
2/15/2022	Bristol-Myers Squibb Co	Sr Notes	\$1,000	A2 / A+	3.900%	3/15/2062	+155	18 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
2/2/2022	Mednax	Sr. Notes	\$400	Ba3/B+	5.375%	2/15/2030	364 bps	5.375% area
1/27/2022	Athenahealth	Sr. Notes	\$2,350	Caa2/CCC	6.500%	2/15/2030	475 bps	6.50% area
1/27/2022	Embecka	Sr. Sec. Notes	\$500	Ba3/B+	5.000%	2/15/2030	323 bps	5.00% area
1/27/2022	Bausch Health	Sr. Sec. Notes	\$1,000	Ba3/BB	6.125%	2/1/2027	447 bps	6.25% area

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

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing	Yield
2/15/2022	Covis Pharma	Apollo Management	B2 / B	Refinancing	\$595	SOFR+CSA+650, 0.75% @ 90	9.750%
2/11/2022	Confluent Medical Technologies	Texas Pacific Group	B3 / B	LBO	\$395	SOFR+375, 0.50% @ 99.5	4.375%
2/8/2022	Pediatric Associates	Texas Pacific Group	B2 / B	Recap/Equity Infusion	\$660	L+325, 0.50% @ 99.5	3.875%
2/3/2022	Athletico Physical Therapy	BDT Capital Partners	B2 / B	Acquisition	\$875	SOFR+CSA+425, 0.50% @ 99.5	4.875%



## Healthcare News

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### Walgreens, VillageMD On Track to Open 200 Co-Branded Clinics This Year<sup>1</sup>

Healthcare Dive | February 17, 2022

There's a race afoot among drugstore chains to build out nationwide medical clinics, as consumers increasingly look for low-cost, convenient care options close to the home after two years of the COVID-19 pandemic. Players like CVS Health, Walmart and Walgreens have funneled billions into these primary care initiatives in a bid to operate the next go-to neighborhood health destination for the American public and bring in the revenue it provides. Pharmacy giant Walgreens and value-based medical network VillageMD are on pace to open more than 200 co-branded primary care practices by the end of the year. On Wednesday, the companies opened their first clinic in a new Florida market, Jacksonville, bringing their total markets in the state up to three, including Orlando and Tampa. Walgreens and VillageMD plan to open five new Village Medical at Walgreens primary care practices in total in the Jacksonville area through this summer. With the Jacksonville openings, Walgreens and VillageMD have now opened more than 80 primary care practices across 12 markets in Arizona, Florida, Texas, Kentucky and Indiana.

### Biden Admin Awards \$55M in Virtual Care Grants to Community Health Centers<sup>2</sup>

Healthcare Deep Dive | February 15, 2022

The Biden administration is awarding almost \$55 million to community health centers to implement telehealth, digital patient tools and health information technology in underserved communities. The pot will be distributed between 29 health centers funded by HHS' Health Resources and Services Administration, HHS said Monday. It builds on more than \$7.3 billion in funding from the American Rescue Plan passed in March that's already been sent out to community health centers over the past year to help mitigate COVID-19's impact. HHS Secretary Xavier Becerra said Monday at the National Association of Community Health Center's annual policy meeting that the Biden administration would continue to "step up" to assist the centers, which provide care to mostly low-income Americans, including working with Congress to try to double their funding.

### FTC, Rhode Island Move to Block Lifespan, Care New England Merger<sup>3</sup>

Fierce Healthcare | February 18, 2022

The Federal Trade Commission (FTC) and the attorney general of Rhode Island are moving to block the merger of Rhode Island's two largest healthcare providers, Lifespan Corporation and Care New England Health System, over concerns that the deal would raise prices and reduce the organizations' quality of care. The merger as proposed by the companies would see the joined entity control at least 70% of Rhode Island's market for inpatient general acute care hospital services as well as at least 70% of the market for inpatient behavioral health services, according to the FTC. Further, the attorney general's office wrote in its review that the combined organization would control over 60% of the state's market for "many" outpatient surgery specialties, would employ two-thirds of the state's registered nurses working full-time at a hospital, and see about half of all commercial spend for Rhode Island members through their accountable care organizations.

## Healthcare News Continued...

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### Optum Unveils New Platform for Managing Specialty Drug Costs<sup>1</sup>

Fierce Healthcare | February 17, 2022

Optum has launched a new solution for specialty drugs that aims to lower costs and improve care management for people with complex conditions. Specialty Fusion arms payers and providers with real-time insights into which specialty therapies are the most effective for the patient at the lowest cost. The platform leads to quicker treatment approvals for patients as well as a similar experience for providers at the point of care, Optum said in an announcement. Internal analysis of the solution suggests it can drive cost savings of 17%. "The average specialty patient sees more than five care providers per year, while taking more than 10 drugs on average. They often have to wait for multiple treatment regimens to be approved and need better support navigating their treatment plan and health benefits," said Kerri Tanner, senior vice president at Optum Rx, in a statement.

### Millions Live in 'Contraception Deserts' – Can Telehealth Help?<sup>2</sup>

Healthcare IT News | February 21, 2022

According to researchers, more than 19 million women of reproductive age are living in "contraceptive deserts," defined as areas with fewer than one health center for every 1,000 women in need of publicly funded contraception. Addressing these gaps requires a multipronged approach, say experts – including facilitating access to birth control via telehealth. Dr. Nancy Shannon, chief medical officer for Nurx, a specialty prescription app focusing on contraception and other services that recently announced a merger with Thirty Madison, says the company was seeing steady growth in demand even before COVID-19. "But once COVID hit, people were concerned about going to their regular doctors," said Shannon. The reluctance to seek in-person care compounded complications around pharmacy availability, she explained. "Pharmacists have been getting sick; their families are getting sick." Meanwhile, pharmacies have often been the first points of contact for services such as COVID-19 tests and vaccines. "People are asked to do more, and it has just put a huge demand on our pharmacy system," she said. The end result, she says, is that when people need birth control, it's sometimes hard to find. That's where telehealth can come in.

### The Rise of Gastroenterology Megagroups<sup>3</sup>

Becker's Healthcare | February 21, 2022

Gastroenterology has been characterized by consolidation and the growth of management service organizations and megagroups. "Megagroups" are defined as practices with 15 or more gastroenterologists, according to a report jointly published by consulting firm Fraser Healthcare and pharma research firm Spherix Global Insights. Megagroup gastroenterologists can overlap as members of a management service organization or health system, but some are still independent. In larger groups, such as Gastro Health and GI Alliance, private equity has played a huge hand in propelling growth. The number of private equity gastrointestinal groups grew by 28 percent, to 68, in 2021, according to the report. Despite consolidation, many groups still lean on physician input. Southlake, Texas-based GI Alliance, the largest and most geographically dispersed gastroenterology organization in the U.S., is physician-led and majority physician-owned. While such organizations as PE GI Solutions and GI Alliance boast a portfolio of more than 600 physicians, smaller, localized groups still thrive.

1. <https://www.fiercehealthcare.com/payers/optum-unveils-new-platform-managing-specialty-drug-costs>

2. <https://www.healthcareitnews.com/news/millions-live-contraception-deserts-can-telehealth-help>

3. <https://www.beckersasc.com/gastroenterology-and-endoscopy/the-rise-of-gastroenterology-megagroups.html>