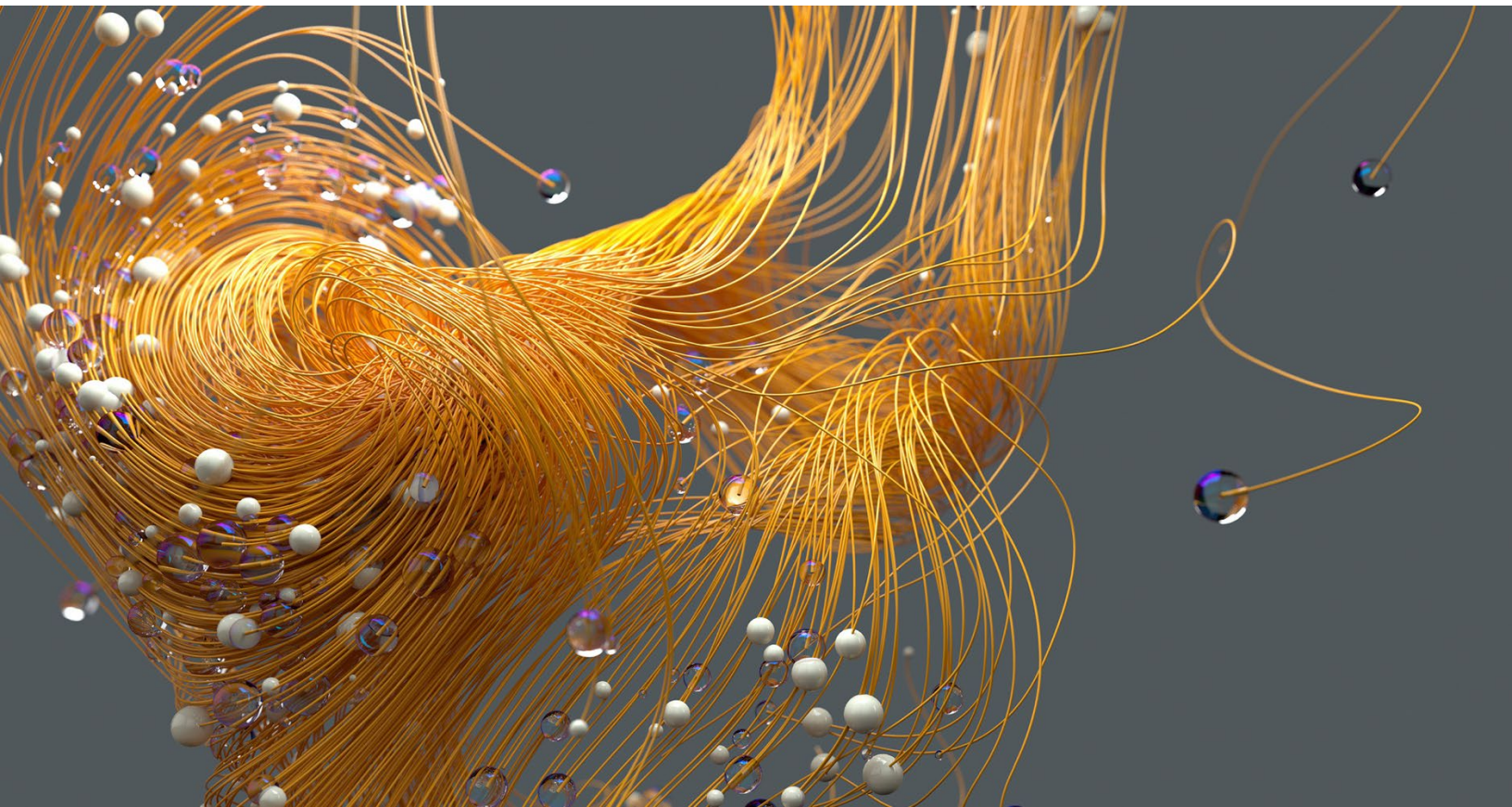


December 7, 2023

# Cain Brothers Industry Insights

## Healthcare Market Report



Banker commentary:

**Primary Care Viewpoints from Jay Keese via Q&A with  
Cain Brothers' Dan Gold**



# Banker Commentary

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## Primary Care Viewpoints from Jay Keese via Q&A

Interview by Dan Gold

Today I am sitting down with James P. Keese, III (Jay) CEO of Capitol Advocates, for a conversation on primary care and what he has been seeing on Capitol Hill. By way of introduction, Jay has been a leading healthcare policy advocate in Washington for over 30 years. Jay played a role in shaping many innovative reforms in the Affordable Care Act (ACA) and has helped implement them with the Center for Medicare & Medicaid Innovation (CMMI). He runs several healthcare stakeholder coalitions that have a strong alignment with patient groups, primary care providers, and health IT software developers. He has also been instrumental in the passage of over 30 state laws and regulations clarifying treatment of primary medical services and bringing value-based, Direct Primary Care (DPC) arrangements to Medicaid and State Employees' health programs.

Jay, appreciate the time and glad to have you here to answer some questions. Let's jump right into it...

***What is the most promising legislative development with respect to primary care that you have seen get traction recently?***

There are several pieces of legislation moving in Congress now that are important for primary care. On November 8, the Senate Finance Committee considered and reported favorably the **Better Mental Health Care, Lower-Cost Drugs, and Extenders Act**. This legislation expands incentives for behavioral health integration with primary care, particularly in health care shortage areas. The bill would also:

1. Extend incentives for higher quality primary care in Medicare Advanced Payment Models, like the ACO REACH; and
2. Create greater transparency with pharmacy benefit managers (PBMs) and lower out of pocket cost for patients in Medicare Part D prescription drug plans by requiring plans to formulate rebates on the net price for any covered Part D drug, inclusive of manufacturer rebates.

The House has also moved on two pieces of legislation to expand the use of DPC, an advanced value-driven primary care model. The Energy and Commerce committee unanimously approved the **Medicaid Primary Care Improvement Act** in July 2023, which would create a new methodology to allow state Medicaid agencies to provide a value-based primary care service with DPC for Medicaid beneficiaries using a direct payment to physicians without a CMS waiver. Then in September, the Ways and Means Committee approved the **Primary Care Enhancement Act**, which would allow DPC arrangements to become fully qualified pre-tax health benefits that are compatible with Health Savings Accounts (HSAs) linked to high deductible health plans.

A Continuing Resolution was recently passed to fund the government through next January, so these bills may not receive full consideration before early next year. But all three have a promising pathway for House and Senate floor consideration and would likely be signed into law by President Biden if passed.

***I always found it curious that HSAs could not be used to cover DPC arrangements so that they could be coupled with a high deductible plan. On the Better Mental Health Care, Lower-Cost Drugs, and Extenders Act, Congress and the White House really seem to be pushing to find a way to extend better healthcare into rural communities. Do you get the sense that any one solution for the "rural health crisis" is getting more traction than others?***

Well Dan, the HSA rules were written in 2003, long before DPC existed, and they need an update. The IRS is the only regulator in the U.S. that looks at these arrangements as a form of insurance. We're hopeful that this bill passes so we can correct it.

## continued...

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On rural health, it's a huge priority not just for the White House but for GOP members of Congress. In October, the House Ways and Means Committee released an RFI on "Improving Access to Health Care in Rural and Underserved Areas." Chairman Jason Smith (R-MO) identified five key areas of interest, and I would look to those for clues on where we might see some legislation in the coming months: 1. Geographic payment disparities; 2. Long-term financial health of providers and facilities; 3. Payments for identical care provided in varying sites of service; 4. Bringing new professionals into the healthcare workforce; and 5. Innovative care models and technology to improve patient outcomes. There is a lot of bipartisan agreement around telehealth and changing payment methodologies to be more site-neutral and less dependent on setting (e.g., rural v. urban). These will be fought tooth and nail by the hospital industry, but we do seem to be at a bit of a tipping point.

***Let's shift gears a bit. Based on what you have seen in the legislature, if you were going to invest in one area of primary care today, what would it be and why?***

I would look closely at employer-driven initiatives in primary care. Just over half of Americans get their health coverage through work (followed by Medicare, TRICARE, VA, and individual coverage). Employers do not just offer healthcare because the law requires it. Many employers are working hard to make healthcare benefits a competitive advantage to attract and retain high-value employees. Recently, the Purchaser's Business Group on Health launched a Primary Care Strategic Initiative, designed to increase investment in and access to value-based advanced primary care that emphasizes comprehensive, person-focused care, integration of behavioral and physical health services and high-quality outcomes. This trend has led to a significant investment in primary care the likes of which we have never seen (e.g., Amazon / One Medical, CVS Health / Oak Street Health). On the flip side, following the pandemic and years of strain through the opioid crisis, the U.S. is running low on primary care physicians. By 2025, American Medical Association thinks the projected shortage of physicians will be between 37,800 and 124,000. Employers understand this and they are willing to invest up front to support care models that can provide better care to employees and reduce the risk they bear in higher healthcare costs with an aging and increasingly overweight workforce.

***That feels to me like you are hinting at DPC. Before we wrap up, are there any companies that you would call out as doing what you describe particularly well?***

Certainly, companies like [Nextera Healthcare](#), [Everside Health](#), [Frontier Direct Care](#) and [Proactive MD](#) are very good bets as super high functioning primary care providers working with employers to improve care and reduce costs. But we also need to look deeply into companies providing support for these providers. Companies like [Hint Health](#), which have invested in software and AI solutions that can be great enablement tools for providers, are helping move this concept forward by moving to greater scale in thoughtful ways. I also think there is a lot of room for investment in companies that are developing a new-age set of benefits for small and mid-size employers. I love the idea of creating some significant capitalization behind an insurance wrap-around that would let innovators in the benefits space like [Health Rosetta](#) and [RosenCare](#) create a tailored insurance model that works well with DPC in the employer space. It is a place where there is more need than there are industry players today.

***Thanks again, Jay. As always, it is a pleasure to pick your brain on these recent legislative measures and trends in primary care.***

# M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
12/1/2023	Bravera Health (Community Health Systems)	Tampa General Hospital	NA	NA	NA	Health system includes: 3 acute care hospitals, freestanding ER, 2 ASCs and 10 primary care and specialty care clinics based in Florida
12/1/2023	ConcertoCare's PACE Programs	InnovAge (Nasdaq: INNV)	NA	NA	NA	Tech-enabled, value-based provider of at-home, comprehensive care for seniors and other adults with unmet health and social needs
11/30/2023	Maverix Medical	KKR, Hologic and Ajax Health	NA	NA	NA	Develops and acquire innovative technologies and commercial operations within the lung cancer disease category
11/28/2023	East Coast Institute for Research	Gauge Capital	NA	NA	NA	Clinical research site management organization focused primarily on the cardiovascular and metabolic therapeutic areas
11/28/2023	Harmony Healthcare IT	Novacap	NA	NA	NA	Health data management and platform solution provider
11/28/2023	SPM Group (Corridor Capital)	Unlock Health	NA	NA	NA	Network of health and healthcare agencies including SPM, GLC, Dreamscape, and Centretek
11/21/2023	Therapeutic Research Center (Levine Leichtman Capital Partners)	Colibri Group (Gridiron Capital)	NA	NA	NA	Provider of independent, evidence-based continuing education and training for healthcare professionals and institutions
11/26/2023	Gessler Clinic	BayCare Health System	NA	NA	NA	Florida based multi-specialty clinic
11/20/2023	BioStat Laboratory	Principle Health System (Platform Partners)	NA	NA	NA	Texas based full-service laboratory
11/9/2023	MedSpa Partners	Persistence Capital Partners	NA	NA	NA	Acquirer and operator of medical aesthetics clinics in North America
11/9/2023	Seisa Medical	TekniPlex Healthcare	NA	NA	NA	Full-service contract manufacturer of Class II and Class III medical devices and specialty components
11/8/2023	Innovative Consulting Group	SV Health Investors	NA	NA	NA	Provider of healthcare IT consulting support for the implementation and ongoing maintenance of EHR systems
11/8/2023	IntegriChain (Accel-KKR)	Nordic Capital	NA	NA	NA	Provider of pharmaceutical technology, data, consulting, and outsourcing solutions
11/7/2023	Community Family Care Medical Group IPA	Apollo Medical (NASDAQ: AMEH)	\$202	\$1	\$8	Provider group with 350 primary care physicians and 500 specialists on platform, manages the healthcare of over 200,000 members in the Los Angeles
11/6/2023	Parkview Dental Partners	Cathay Capital	NA	NA	NA	DSO that currently manages 22 dental practices that provide both general dentistry and specialty dental services based in Florida
11/2/2023	Comprehensive Rehab Consultants	York Private Equity	NA	NA	NA	Provider of psychiatry, chronic care management, and behavioral health services to skilled nursing facilities

Sources: Capital IQ, Mergermarket, and press releases  
 \* Denotes Cain Brothers/KeyBanc Capital Markets participation

# Private Placements Activity

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

Date	Company	Investor(s)	Type	Amount	Description
11/27/2023	RepeatMD	Centana Growth Partners and Full In Partners (co-leads), PROOF	Series A	\$50	SaaS company leveraging inbound revenue to increase sales for aesthetic and wellness practices
11/9/2023	Vida Health	General Atlantic, Ally Bridge, Canvas Ventures, Hercules Capital	Undisclosed	\$29	Virtual care company, designs and develops an application to prevent, manage, and reverse chronic conditions
11/8/2023	Eleos Health	Menlo Ventures (lead), -Prime Capital, Eight Roads, Arkin Digital Health, SamsungNEXT and ION	Series B	\$40	Behavioral health AI
11/1/2023	Covera Health	Insight Partners (lead)	Series C (Additional)	\$50	AI-enabled diagnostic technology company focused on radiology performance measurement
11/1/2023	Free Market Health	Questa Capital (lead), Alta Partners, Highmark Ventures, and 653 Investment Partners	Series B	\$20	Specialty pharmacy care-driven marketplace platform
10/26/2023	Abridge	Spark Capital (lead), Bessemer Venture Partners, CVS Health Ventures, Kaiser Permanente Ventures, Lifepoint Health, Mayo Clinic, SCAN Group, UC Investments and the American College of Cardiology	Series B	\$30	Generative AI for clinical documentation
10/24/2023	HealthEC	HLM Venture Partners and the Labcorp Venture Fund	Undisclosed	Undisclosed	Provider of population health management solutions and health digital transformation
10/19/2023	Petfolk	Movendo Capital (lead), White Star Capital and Idea Farm Ventures	Series B	\$40	Veterinary provider with ~11 locations in the Southeast
10/18/2023	Waymark	Lux Capital (lead), CVS Health Ventures, Andreessen Horowitz and New Enterprise Associates	Undisclosed	\$42	Medicaid provider enablement company
10/16/2023	BondVet	Warburg Pincus and Talisman Capital Partners	Growth	\$50	Urgent and primary care provider for pets
10/11/2023	Capital Rx	Atlantic Health System, Banner Health, Hawai'i Pacific Health, Inova Health System, Lehigh Valley Health Network, Memorial Hermann Health System, Nebraska Medicine, Novant Health, Ochsner Health, WellSpan Health and Transformation Capital	Strategic	\$50	Full-service pharmacy benefit manager and pharmacy benefit administrator
10/5/2023	Connections Health Solutions	Town Hall Ventures (lead), Heritage Group	Growth	\$28	Provider of immediate-access behavioral health crisis care
10/5/2023	Diana Health	Norwest Venture Partners (lead), .406 Ventures, LRVHealth and AlleyCorp	Series B	\$34	Network of women's health practices that partner with hospitals
10/3/2023	Cortica	CVS Health Ventures (lead), LRVHealth, Ascension Investment Management and the University of Wisconsin Foundation	Series D Extension	\$40	Physician-led, whole-child, value-based autism services company
9/27/2023	Midi Health	GV (lead), Felicis, Semper Virens, Icon, 25M and Operator Collective	Series A	\$25	Virtual care clinic focused exclusively on women navigating midlife hormonal transition

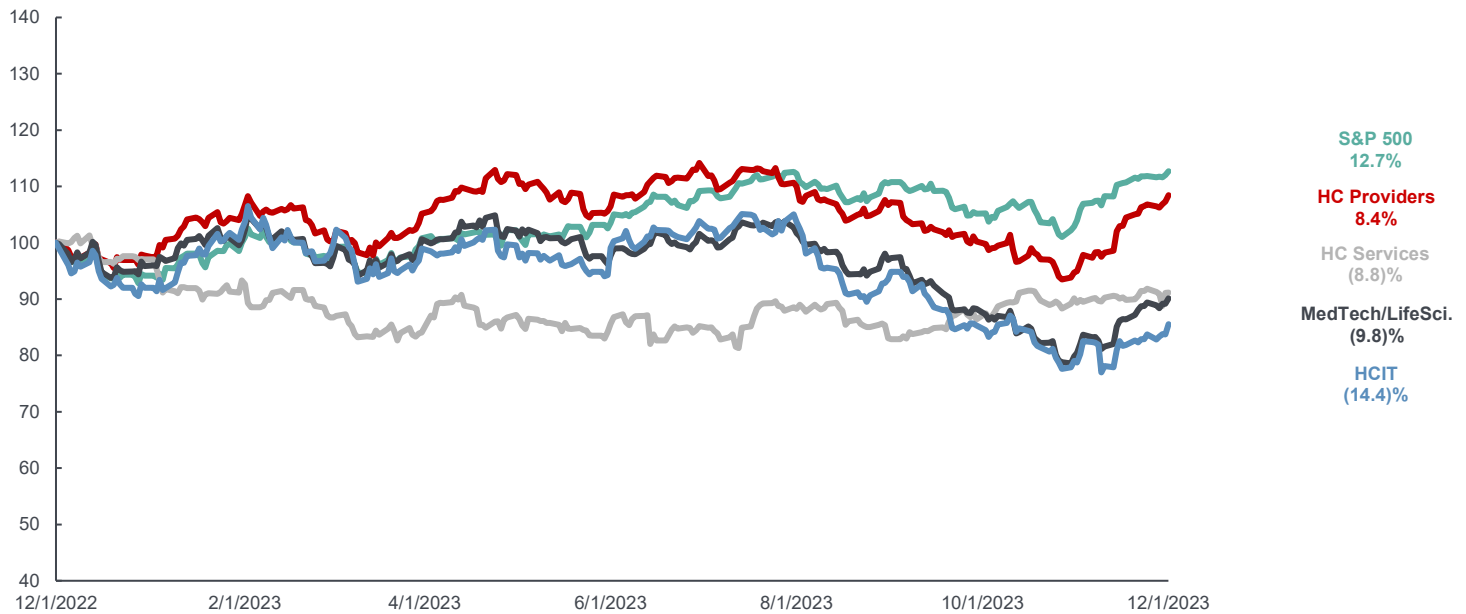
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of December 1, 2023

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	35,390	36,245	5.4%	2.4%
S&P 500	4,559	4,595	12.7%	0.8%
NASDAQ	14,251	14,305	24.6%	0.4%
Russell 2000	1,808	1,863	(1.0%)	3.1%
NYSE Healthcare	23,501	23,511	(1.2%)	0.0%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	3.0%	0.3%
Alternate Site Services	14.3%	2.3%
Diagnostics	4.5%	2.4%
Distribution	10.0%	0.2%
Healthcare IT	(14.4%)	2.2%
Healthcare REITs	7.4%	2.5%
Managed Care	(4.9%)	(0.9%)
Medical Technology	(10.1%)	1.0%
Outsourced Services	(28.3%)	2.5%
Pharma Services	(8.1%)	(0.0%)
Pharmacy	(37.3%)	(1.2%)
Primary Care	(47.1%)	(4.4%)
Post-Acute Care	22.2%	1.6%

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



Sources: Cain Brothers, Bloomberg, Capital IQ

# High Grade, High Yield & Leveraged Loan Market

## Market Overview

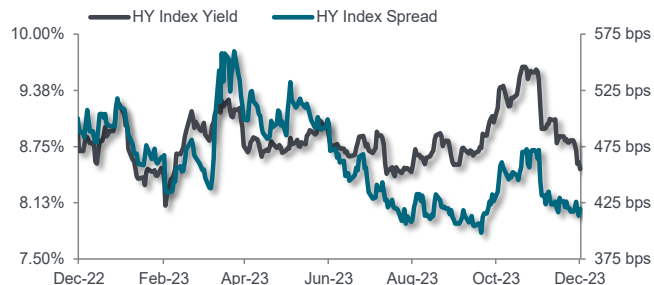
### High Yield

High yield closed out a booming month in both primary and secondary markets

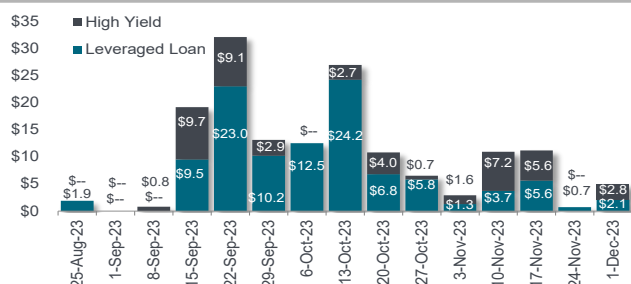
### Term Loan B Market

Volume throughout 2023 has been heavily weighted towards refinancings to address near term maturities and other opportunistic transactions with M&A / LBO issuance well below historical averages

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

Double-B Issuers	2Q23	3Q23	30-Day Rolling Average 12/01/23
Ba1	S+294 / 8.6%	S+244 / 7.87%	S+225 / 7.7%
Ba2	S+265 / 7.9%	S+243 / 7.78%	S+238 / 7.8%
Ba3	S+314 / 8.6%	S+307 / 8.6%	S+292 / 8.5%

Single-B Issuers	2Q23	3Q23	30-Day Rolling Average 12/01/23
B1	S+356 / 9.0%	S+358 / 9.2%	S+363 / 9.3%
B2	S+448 / 10.2%	S+426 / 10.1%	S+411 / 9.6%
B3	S+489 / 10.7%	S+470 / 10.2%	S+464 / 10.5%

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
11/28/2023	Thermo Fisher Scientific Inc	Sr Notes	\$1,000	A3/A-/A-	5.000%	12/5/2026	+52	23 bps
11/28/2023	Thermo Fisher Scientific Inc	Sr Notes	\$1,000	A3/A-/A-	5.000%	1/31/2029	+72	18 bps
11/28/2023	Thermo Fisher Scientific Inc	Sr Notes	\$500	A3/A-/A-	5.200%	1/31/2034	+87	23 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,000	Baa2 / BBB / BBB+	6.125%	11/21/2026	+155	38 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,000	Baa2 / BBB / BBB+	6.250%	1/21/2029	+185	34 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,250	Baa2 / BBB / BBB+	6.375%	11/21/2030	+200	32 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,750	Baa2 / BBB / BBB+	6.500%	11/21/2033	+210	34 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
9/29/2023	LifePoint Health Inc	Sr. Sec. Notes	\$1,100	B2/B/NR	11.000%	10/15/2030	639 bps	11.0%
9/19/2023	Syneos Health	Sr. Sec. Notes	\$1,000	B1/B/BB	9.000%	10/1/2030	465 bps	9.25%-9.50%

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

Date	Issuer	Ownership	Corp. Ratings	Use of Proceeds	Size	Pricing	Yield
11/20/2023	IQVIA	Not Sponsored	Ba1 / BB+	Refinancing	\$1,500	SOFR+200, 0.00% @ 100	7.335%
11/17/2023	Perrigo	Not Sponsored	Ba2 / BB	Refinancing	\$300	SOFR+225, 0.50% @ 99.5	7.708%
11/7/2023	Amneal Pharmaceuticals	Not Sponsored	B2 / B	Refinancing	\$2,350	SOFR+550, 0.50% @ 95	12.072%

## Most Recent Healthcare Pro Rata Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing (in bps)	Financial Covenants
11/3/2023	Apollo Medical Holdings	Public	NR / NR	Refinancing	\$300mm TLA	Leverage-based Grid SOFR+CSA+150-275 CSA: 10	Max. Total Net Leverage Ratio: 3.75x w/ step-up to 4.00x Min. Interest Coverage Ratio: 3.25x
9/13/2023	Ventas	Public	Baa1/BBB+	Refinancing	\$200mm TLA	Ratings-based Grid SOFR+CSA+72.5-160 CSA: 10	Min. Fixed Charge Coverage Ratio: 1.5x

# Tax-Exempt Debt Market

## Tax-Exempt Debt Information as of December 1, 2023

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	4.57%	4.80%	4.98%
AA Tax-Exempt Hospital Bonds (30-Yr)	4.42%	4.65%	4.73%
SIFMA (Variable Rate Demand Notes)	3.30%	3.60%	1.85%
Revenue Bond Index	3.77%	4.02%	3.93%
SIFMA/1 Month SOFR	61.73%	67.33%	43.87%
RBI/30 Yr Treasury (%)	85.90%	87.44%	110.39%
30-Year Fixed Pay Swap (79% SOFR)	3.15%	3.26%	2.45%

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

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Worst	Yield to Mat.	AAA
Riverside Health System <sup>(a)</sup>	\$257.760	VA	NR / AA / NR	2053	2033 (C)	4.75%	4.77%	4.79%	3.79%
Beth Israel Lahey Health <sup>(b)</sup>	\$400.000	MA	A3 / A / NR	2034	2034 (C)	5.00%	3.66%	3.71%	2.90%
Atrium Health Obligated Group <sup>(c)</sup>	\$50.000	NC	NR / NR / AA	2048	2027 (P)	3.63%	N/A	N/A	2.87%
The Christ Hospital <sup>(d)</sup>	\$49.135	OH	NR / NR / NR	2042	2033 (C)	5.00%	4.85%	4.90%	3.62%
	<b>\$756.895</b>								

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

(a) Cain Brothers Sole-Managed Pricing; Health System Revenue Bonds, Series 2023 Fixed Mode; AGM Insured; Underlying Rating: NR / A- / NR; Insured Rating: NR / AA / NR; Overlapping final maturity with Cpn. / YTW / YTM of 5.25% / 4.54% / 4.90%

(b) Series M (2023); Consisting of: \$200,000,000 Series M-1 and \$200,000,000 Series M-2

(c) Mandatory Tender 6/15/2027, Hard Put, Adjustable Coupon

(d) Limited Offering, Optional Call 12/1/2033 Except 2034 Maturity Non Callable

1. Bloomberg, Capital IQ

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

Issuer	Date	Amount	Rating
Montana Facilities Finance Authority, Health Care Facilities Revenue Bonds Mountainview Medical Center, Inc. Project Series 2023	12/6/2023	\$46,270	NR / NR / NR

1. Bloomberg, Capital IQ



## Healthcare News

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### Medicare Advantage Increasingly Popular With Seniors — But Not Hospitals and Doctors<sup>1</sup>

KFF Health News | November 29, 2023

As of this year, commercial insurers have enticed just over half of all Medicare beneficiaries — or nearly 31 million people — to sign up for their plans instead of traditional Medicare. The plans typically include drug coverage as well as extras like vision and dental benefits, many at low or even zero additional monthly premiums compared with traditional Medicare. But even as enrollment soars, so too has friction between insurers and the doctors and hospitals they pay to care for beneficiaries. Increasingly, according to experts who watch insurance markets, hospital and medical groups are bristling at payment rates Medicare Advantage plans impose and at what they say are onerous requirements for preapproval to deliver care and too many after-the-fact denials of claims.

### 340B Drug Discount Program Yields Mixed Evidence On How Hospitals Use Funds<sup>2</sup>

Healthcare Dive | November 27, 2023

The 340B Drug Pricing Program was created in 1992 to support hospitals caring for a disproportionate number of low-income populations, by requiring drugmakers to give those providers discounts on outpatient drugs. Those discounts can be steep — generally 20% to 50% off the list price of a drug. Pharmaceutical companies strongly oppose the program, which cuts into their bottom lines. But in criticizing 340B, drugmakers say they're raising critical questions of whether hospitals are responsible stewards of the program's funds, especially as 340B grows. As of 2020, there were more than 50,000 covered entities participating in the program, compared to 1,000 at 340B's inception. There is very little mandated reporting in 340B. Covered entities like hospitals are not required to share how they use revenue from the program. That lack of transparency makes it difficult to get a clear picture on what providers are doing with the funds, according to the review. The review also found that, according to audits of covered entities, many providers aren't complying with 340B's existing requirements, like to not resell discounted drugs. The pharmaceutical industry and some lawmakers have called for more guardrails in 340B requiring hospitals to account for their savings. Roughly 20 major drugmakers have also tried to limit the scope of the program by halting 340B discounts to providers that use community and specialty pharmacies, sparking lawsuits.

### Integrating Behavioral Health Into Pediatric Care Could Have Untapped Potential<sup>3</sup>

Behavioral Health Business | December 1, 2023

Rates of behavioral health conditions among children and adolescents have skyrocketed in the wake of the COVID-19 pandemic. But, finding appropriate care can be challenging for pediatric patients and their caregivers. Partnerships between pediatric behavioral health providers and primary care practices could be one way to improve care integration in the future. "Three out of four kids start the mental health journey in that pediatrician's office. It is the largest on-ramp to reach these kids," Natalie Schneider, CEO of Fort Health, said at Behavioral Health Business' INVEST event. "The trouble is pediatricians don't have reliable referral partners. So I think models similar to ours, where we wraparound services for pediatricians and keep that pediatrician engaged and informed with clinical progress updates, are incredibly helpful. It reduces abrasion for those PCPs as well." Integrated care has become a hot topic in the behavioral health field. While most focus on adult primary care and mental health services, providers can apply the same principles to a pediatric model. While integrating full-on care models into schools could be challenging, schools and universities could be an excellent place to start with preventative care. "I think an area which is very ripe for innovation is preventive care and taking more of a public health lens," Bhavnani said.

## Healthcare News

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### Aging America Faces A Senior Care Crisis<sup>1</sup>

Axios | December 3, 2023

As America's population of seniors grows, affordable long-term care is increasingly hard to find. Why it matters: Nearly 70% of older adults will need long-term care services, according to Harvard's Joint Center for Housing Studies. Medicare doesn't cover these services, and Medicaid often has long wait lists for at-home support, said Samara Scheckler, a research associate. "The cost of daily assistance at home is out of reach for most," Scheckler said, "and so is assisted living, which bundles housing and care together." By the numbers: 13% of adults 75+ in U.S. metro areas living alone can afford assisted living without diving into assets, per the Center. 14% can afford a daily visit from a home health aide along with their housing costs. For context, more than 40% of Americans 65 and older live alone. When considering seniors over 80, that share jumps to nearly 60%.

### CVS Health Unveils 'Cost Plus' Drug Pricing Model<sup>2</sup>

Modern Healthcare | December 5, 2023

CVS Health's pharmacy segment is rolling out a new prescription drug reimbursement model next year, marking the latest shift by a major industry player toward greater transparency. The company announced the CVS CostVantage initiative at its annual investor day Tuesday. CVS Pharmacy locations will receive fixed rates from pharmacy benefit managers and insurers consisting of negotiated prices, a flat markup and dispensing fees. In addition, the CVS Caremark PBM will offer TrueCost, billed as a more transparent option, to employer clients next year. New approaches like these will pave the way for greater clarity in drug pricing and more predictability for patients, said Prem Shah, executive vice president and chief pharmacy officer. "We're changing this outdated reimbursement model that made sense for the last decade, but no longer works today or in the future," he said. CVS Caremark was the largest PBM, with a one-third market share, last year, according to Drug Channels Institute.

### A Year After Launching, ChatGPT Is Already Changing Medicine<sup>3</sup>

Axios | November 29, 2023

It's passed medical licensing exams. It's advanced how researchers develop new medicines and cut down on doctors' hefty paperwork. And it's nudged health care closer to a world where AI can offer diagnoses. Why it matters: One year after OpenAI's ChatGPT exploded onto the scene, the generative AI model is already upending health care — an industry not exactly known for its speedy adoption of tech — while accelerating questions about AI's promises and limitations. The big picture: While AI and algorithms have been used in health care for decades, ChatGPT and other generative AI models that quickly followed have supercharged their use across research and the delivery of care. "All these things that are happening now [are] because the race to get to AI faster, quicker and to create the market share began with ChatGPT," said Shafiq Rab, system CIO and chief digital officer at Tufts Medicine. "We're in the 'wow' period," Stanford's School of Medicine dean Lloyd Minor told Axios at a health tech event earlier this fall. He and other experts predicted that the unprecedented hype around how AI may change health care will begin to quiet down over the next few months as the industry races to get a better handle on what the technology can and can't do.

1. <https://www.axios.com/2023/12/03/aging-adults-seniors-care-affordability>

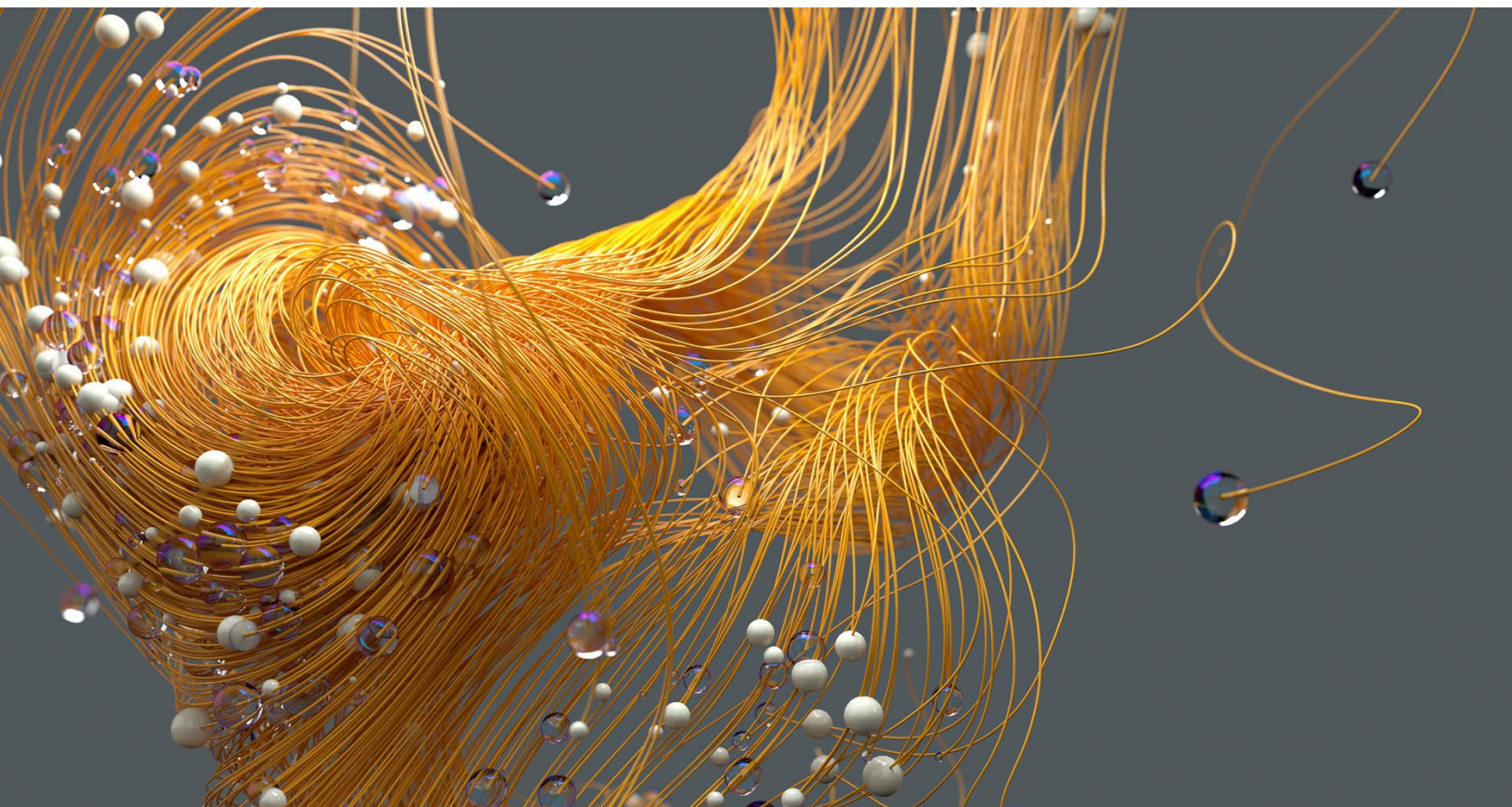
2. <https://www.modernhealthcare.com/insurance/cvs-health-costvantage-drug-pricing-model>

3. <https://www.axios.com/2023/11/29/chat-gpt-health-care-medicine-clinical-diagnosis>

December 14, 2023

# Cain Brothers Industry Insights

## Healthcare Market Report



Banker commentary:

### **OB-GYN Shortage**

# Banker Commentary

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## OB-GYN Shortage

*Banker Commentary by Alexandra Clemens*

Even before the COVID-19 pandemic and overall increases in physician burnout, the OB-GYN field faced a growing provider shortage. In 2017, the American College of Obstetricians and Gynecologists (ACOG) reported that half of U.S. counties did not have an OB-GYN and predicted that by 2020 there would be 8,000 fewer OB-GYNs than needed to meet demand. Fast forward six years, add on a global pandemic, changing political landscape, and continued low reimbursement – this problem has only worsened.

In the wake of the 2022 Dobbs decision, medical students must now contend with state-by-state abortion legislation as part of their specialty decision making criteria. According to the American Association of Medical Colleges, the average number of applicants per OB-GYN residency program fell from ~670 in 2022 to ~648 in 2023. And in states where abortion is banned from conception, residency applications have dropped more than 10% (American Medical Association). Many medical students are concerned that training in states with abortion bans could impact the scope of their medical training and that practitioners in these states may face increased risk of legal action for providing medical care.

The ramifications of this will likely only worsen an existing maternal health problem in the United States. According to March of Dimes, over 2.2 million women considered to be of childbearing age live in maternity care deserts, which are defined as counties in which access to maternity care is limited or absent. The impact of this is costly – pregnant women who receive no prenatal care are more likely to suffer a pregnancy related death, and babies are at a greater risk of premature birth or low birthweight. Preterm or low birthweight babies cost almost 4x more than full term infants on average in the first year.

Also contributing to the OB-GYN shortage is continuously low reimbursement rates for childbirth. While Medicaid covers 41% of births in the U.S. (CMS), reimbursement is much lower than commercial payers. In fact, many states pay less than what it costs for a delivery, which has led some hospitals to cut or shut down their obstetrics units. Over 89 obstetrics units closed in rural hospitals between 2015 and 2019 (American Hospital Association) and another 20 rural communities lost access to obstetrics care during the COVID-19 pandemic (The Chartis Group).

One way to combat this growing challenge is through alternative providers like midwives. While midwifery is common practice in many countries in Europe, there are only ~14k midwives in the U.S. compared to ~21k OB-GYNs (American College of Nurse-Midwives and U.S. Bureau of Labor Statistics). However, the number of American College of Nurse-Midwives accredited education programs has increased from 38 in 2018 to 46 today, and the number of students is growing.

Looking to the future, opportunity exists for businesses that can address the OB-GYN shortage and maternal health problem. Companies that can impact women's and maternal health in a unique way have strong tailwinds. We also expect to see greater reliance on maternal health clinics and birthing centers that rely on midwives and doulas, in addition to OB-GYNs as companies like Diana Health, Quilted, Oula and Millie continue to raise capital and expand access to care.

# M&A Activity

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

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
12/6/2023	Acclara (Providence)	R1 RCM (NASDAQ: RCM)	\$675	\$2	\$27	Technology-driven revenue cycle management company
12/5/2023	Hospice Source (certain assets) (Transition Capital Partners)*	National HME	NA	NA	NA	Supplies, rents, distributes, and services durable home medical equipment to hospice patients
12/5/2023	Skin and Cancer Associates (Susquehanna Private Capita)*	Platinum Dermatology Partners (Sun Capital Partners)	NA	NA	NA	Dermatological practice based in Florida
12/4/2023	Carisk Partners (MBF Healthcare Partners)	Lee Equity Partners and Elements Health Investors	NA	NA	NA	Specialty risk transfer and care coordination company operating in the workers' compensation market
12/4/2023	P3 Oral Surgery	HealthEdge Investment Partners	NA	NA	NA	Oral surgery services organization based in the Mid-Atlantic region
12/4/2023	Valant Medical Solutions (Gemspring Capital)	Resurgens Technology Partners	NA	NA	NA	Provider of web-based electronic health record and electronic mental health billing system for behavioral health sector
12/1/2023	Bravera Health (Community Health Systems)	Tampa General Hospital	NA	NA	NA	Health system includes: 3 acute care hospitals, freestanding ER, 2 ASCs and 10 primary care and specialty care clinics based in Florida
12/1/2023	ConcertoCare's PACE Programs	InnovAge (Nasdaq: INNV)	NA	NA	NA	Tech-enabled, value-based provider of at-home, comprehensive care for seniors and other adults with unmet health and social needs
11/30/2023	Maverix Medical	KKR, Hologic and Ajax Health	NA	NA	NA	Develops and acquire innovative technologies and commercial operations within the lung cancer disease category
11/28/2023	East Coast Institute for Research	Gauge Capital	NA	NA	NA	Clinical research site management organization focused primarily on the cardiovascular and metabolic therapeutic areas
11/28/2023	Harmony Healthcare IT	Novacap	NA	NA	NA	Health data management and platform solution provider
11/28/2023	SPM Group (Corridor Capital)	Unlock Health	NA	NA	NA	Network of health and healthcare agencies including SPM, GLC, Dreamscape, and Centretek
11/21/2023	Therapeutic Research Center (Levine Leichtman Capital Partners)	Colibri Group (Gridiron Capital)	NA	NA	NA	Provider of independent, evidence-based continuing education and training for healthcare professionals and institutions
11/26/2023	Gessler Clinic	BayCare Health System	NA	NA	NA	Florida based multi-specialty clinic
11/20/2023	BioStat Laboratory	Principle Health System (Platform Partners)	NA	NA	NA	Texas based full-service laboratory
11/9/2023	MedSpa Partners	Persistence Capital Partners	NA	NA	NA	Acquirer and operator of medical aesthetics clinics in North America

# Private Placements Activity

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

Date	Company	Investor(s)	Type	Amount	Description
11/27/2023	RepeatMD	Centana Growth Partners and Full In Partners (co-leads), PROOF	Series A	\$50	SaaS company leveraging inbound revenue to increase sales for aesthetic and wellness practices
11/9/2023	Vida Health	General Atlantic, Ally Bridge, Canvas Ventures, Hercules Capital	Undisclosed	\$29	Virtual care company, designs and develops an application to prevent, manage, and reverse chronic conditions
11/8/2023	Eleos Health	Menlo Ventures (lead), -Prime Capital, Eight Roads, Arkin Digital Health, SamsungNEXT and ION	Series B	\$40	Behavioral health AI
11/1/2023	Covera Health	Insight Partners (lead)	Series C (Additional)	\$50	AI-enabled diagnostic technology company focused on radiology performance measurement
11/1/2023	Free Market Health	Questa Capital (lead), Alta Partners, Highmark Ventures, and 653 Investment Partners	Series B	\$20	Specialty pharmacy care-driven marketplace platform
10/26/2023	Abridge	Spark Capital (lead), Bessemer Venture Partners, CVS Health Ventures, Kaiser Permanente Ventures, Lifepoint Health, Mayo Clinic, SCAN Group, UC Investments and the American College of Cardiology	Series B	\$30	Generative AI for clinical documentation
10/24/2023	HealthEC	HLM Venture Partners and the Labcorp Venture Fund	Undisclosed	Undisclosed	Provider of population health management solutions and health digital transformation
10/19/2023	Petfolk	Movendo Capital (lead), White Star Capital and Idea Farm Ventures	Series B	\$40	Veterinary provider with ~11 locations in the Southeast
10/18/2023	Waymark	Lux Capital (lead), CVS Health Ventures, Andreessen Horowitz and New Enterprise Associates	Undisclosed	\$42	Medicaid provider enablement company
10/16/2023	BondVet	Warburg Pincus and Talisman Capital Partners	Growth	\$50	Urgent and primary care provider for pets
10/11/2023	Capital Rx	Atlantic Health System, Banner Health, Hawai'i Pacific Health, Inova Health System, Lehigh Valley Health Network, Memorial Hermann Health System, Nebraska Medicine, Novant Health, Ochsner Health, WellSpan Health and Transformation Capital	Strategic	\$50	Full-service pharmacy benefit manager and pharmacy benefit administrator
10/5/2023	Connections Health Solutions	Town Hall Ventures (lead), Heritage Group	Growth	\$28	Provider of immediate-access behavioral health crisis care
10/5/2023	Diana Health	Norwest Venture Partners (lead), .406 Ventures, LRVHealth and AlleyCorp	Series B	\$34	Network of women's health practices that partner with hospitals
10/3/2023	Cortica	CVS Health Ventures (lead), LRVHealth, Ascension Investment Management and the University of Wisconsin Foundation	Series D Extension	\$40	Physician-led, whole-child, value-based autism services company
9/27/2023	Midi Health	GV (lead), Felicis, Semper Virens, Icon, 25M and Operator Collective	Series A	\$25	Virtual care clinic focused exclusively on women navigating midlife hormonal transition

Sources: Capital IQ, Mergermarket, and press releases

\* Denotes Cain Brothers/KeyBanc Capital Markets participation

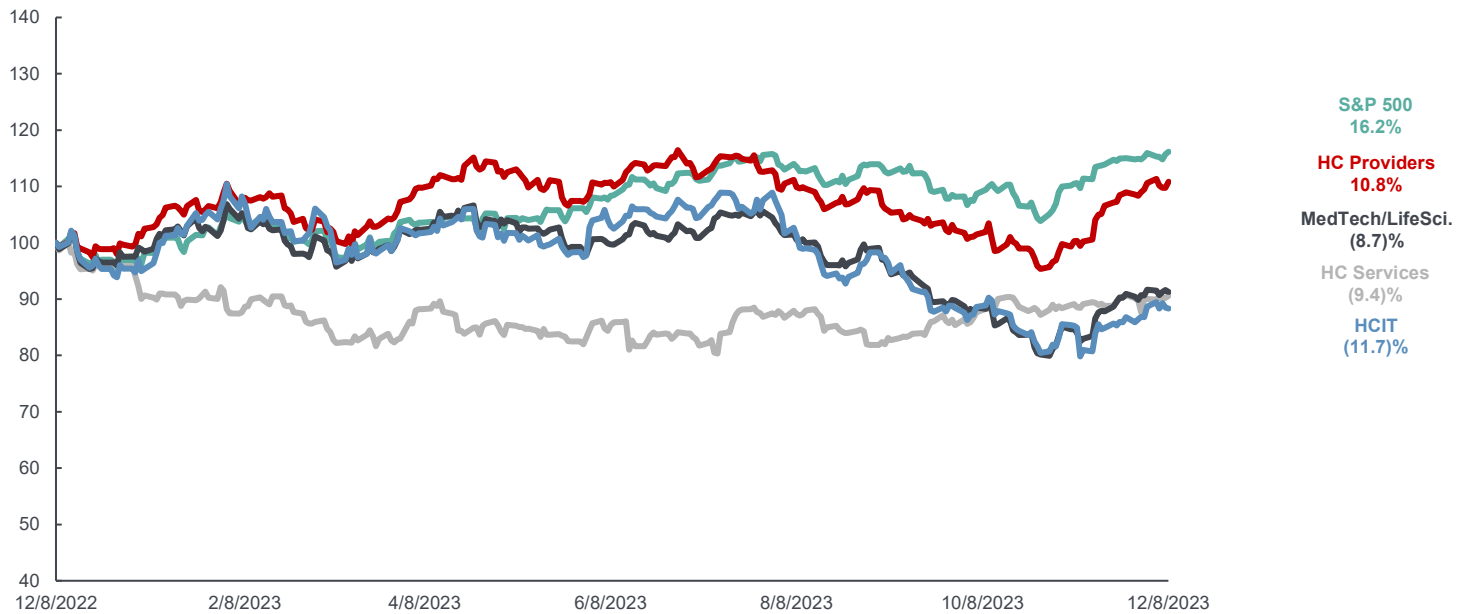
# Public Equity Capital Markets Activity & Indices

## Equity Indices Information as of December 8, 2023

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	36,245	36,248	7.3%	0.0%
S&P 500	4,595	4,604	16.2%	0.2%
NASDAQ	14,305	14,404	30.0%	0.7%
Russell 2000	1,863	1,881	3.4%	1.0%
NYSE Healthcare	23,511	23,428	(0.6%)	(0.4%)

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	3.8%	1.7%
Alternate Site Services	15.7%	(0.4%)
Diagnostics	5.2%	(1.3%)
Distribution	8.8%	(0.7%)
Healthcare IT	(11.7%)	(0.4%)
Healthcare REITs	10.5%	(1.5%)
Managed Care	(6.8%)	(0.4%)
Medical Technology	(9.6%)	(0.4%)
Outsourced Services	(24.6%)	(0.0%)
Pharma Services	(1.3%)	(0.9%)
Pharmacy	(31.4%)	10.0%
Primary Care	(41.5%)	2.2%
Post-Acute Care	28.5%	0.7%

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



Sources: Cain Brothers, Bloomberg, Capital IQ

# High Grade, High Yield & Leveraged Loan Market

## Market Overview

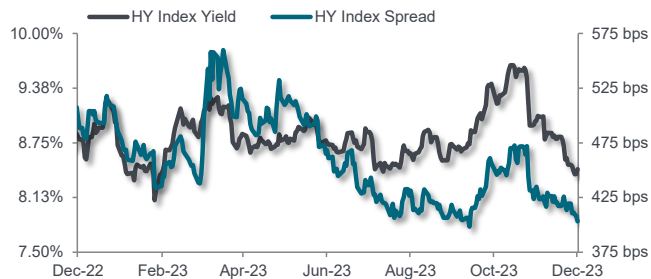
### High Yield

The high yield primary market had its busiest week since post-labor day, with 14 issuers tapping the market to raise \$7.9 billion

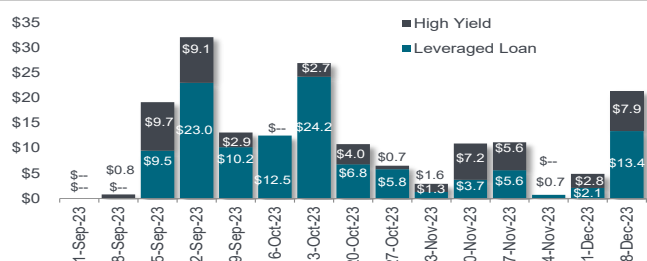
### Term Loan B Market

Volume throughout 2023 has been heavily weighted towards refinancings to address near term maturities and other opportunistic transactions with M&A / LBO issuance well below historical averages

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

Double-B Issuers	2Q23	3Q23	30-Day Rolling Average 12/08/23
Ba1	S+294 / 8.6%	S+244 / 7.87%	S+240 / 7.9%
Ba2	S+265 / 7.9%	S+243 / 7.78%	S+231 / 7.8%
Ba3	S+314 / 8.6%	S+307 / 8.6%	S+290 / 8.5%
Single-B Issuers	2Q23	3Q23	30-Day Rolling Average 12/08/23
B1	S+356 / 9.0%	S+358 / 9.2%	S+354 / 9.1%
B2	S+448 / 10.2%	S+426 / 10.1%	S+490 / 9.8%
B3	S+489 / 10.7%	S+470 / 10.2%	S+430 / 10.1%

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
12/5/2023	Stryker Corp	Sr Notes	\$600	Baa1/BBB+/-	4.850%	12/8/2028	+73	27 bps
11/28/2023	Thermo Fisher Scientific Inc*	Sr Notes	\$1,000	A3/A-/A-	5.000%	12/5/2026	+52	23 bps
11/28/2023	Thermo Fisher Scientific Inc*	Sr Notes	\$1,000	A3/A-/A-	5.000%	1/31/2029	+72	18 bps
11/28/2023	Thermo Fisher Scientific Inc*	Sr Notes	\$500	A3/A-/A-	5.200%	1/31/2034	+87	23 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,000	Baa2 / BBB / BBB+	6.125%	11/21/2026	+155	38 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,000	Baa2 / BBB / BBB+	6.250%	1/21/2029	+185	34 bps
11/16/2023	Bayer US Finance II	Sr Notes	\$1,250	Baa2 / BBB / BBB+	6.375%	11/21/2030	+200	32 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
9/29/2023	LifePoint Health Inc	Sr. Sec. Notes	\$1,100	B2/B/NR	11.000%	10/15/2030	639 bps	11.0%
9/19/2023	Syneos Health	Sr. Sec. Notes	\$1,000	B1/B/BB	9.000%	10/1/2030	465 bps	9.25%-9.50%

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

Date	Issuer	Ownership	Corp. Ratings	Use of Proceeds	Size	Pricing	Yield
12/5/2023	Surgery Partners	Not Sponsored	B2 / B	Refinancing	\$1,400	SOFR+350, 0.00% @ 99	9.110%
11/20/2023	IQVIA	Not Sponsored	Ba1 / BB+	Refinancing	\$1,500	SOFR+200, 0.00% @ 100	7.335%
11/17/2023	Perrigo	Not Sponsored	Ba2 / BB	Refinancing	\$300	SOFR+225, 0.50% @ 99.5	7.708%

## Most Recent Healthcare Pro Rata Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing (in bps)	Financial Covenants
11/3/2023	Apollo Medical Holdings	Public	NR / NR	Refinancing	\$300mm TLA	Leverage-based Grid SOFR+CSA+150-275 CSA: 10	Max. Total Net Leverage Ratio: 3.75x w/ step-up to 4.00x Min. Interest Coverage Ratio: 3.25x
9/13/2023	Ventas	Public	Baa1/BBB+	Refinancing	\$200mm TLA	Ratings-based Grid SOFR+CSA+72.5-160 CSA: 10	Min. Fixed Charge Coverage Ratio: 1.5x

Sources: Capital IQ, Mergermarket, and press releases  
\* Denotes Cain Brothers/KeyBanc Capital Markets participation



# Tax-Exempt Debt Market

## Tax-Exempt Debt Information as of December 8, 2023

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	4.36%	4.57%	4.96%
AA Tax-Exempt Hospital Bonds (30-Yr)	4.51%	4.42%	4.71%
SIFMA (Variable Rate Demand Notes)	2.98%	3.30%	2.21%
Revenue Bond Index	3.69%	3.77%	3.91%
SIFMA/1 Month SOFR	55.65%	61.73%	51.19%
RBI/30 Yr Treasury (%)	85.74%	85.90%	109.83%
30-Year Fixed Pay Swap (79% SOFR)	3.03%	3.15%	2.53%

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

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Worst	Yield to Mat.	AAA
Wellspring Health Obligated Group <sup>(a)</sup>	\$188.010	PA	Aa3 / NR / AA-	2034	NC	5.00%	3.06%	N/A	2.57%
Wellspring Health Obligated Group <sup>(b)</sup>	\$22.170	PA	Aa3 / NR / AA-	2029	NC	5.00%	2.87%	N/A	2.46%
Lifespace Communities Inc. <sup>(c)</sup>	\$82.140	IA	NR / NR / BBB	2053	2033 (C)	7.50%	7.70%	7.97%	3.71%
Lifespace Communities Inc. <sup>(d)</sup>	\$29.595	FL	NR / NR / BBB	2058	2033 (C)	7.63%	7.80%	8.05%	3.71%
ACTS Retirement - Life Communities, Inc. Obligated Group <sup>(e)</sup>	\$58.215	DE	NR / NR / A-	2053	2030 (C)	5.25%	5.00%	5.15%	3.71%
ACTS Retirement - Life Communities, Inc. Obligated Group <sup>(f)</sup>	\$10.315	PA	NR / NR / A-	2053	2030 (C)	5.25%	5.00%	5.15%	3.71%
Reeves Memorial Medical Center Project <sup>(g)</sup>	\$28.000	LA	NR / NR / NR	2053	2033 (C)	7.75%	7.90%	8.01%	3.77%
	<b>\$418.445</b>								

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

(a) Series A

(b) Series B

(c) Series B; Premium Call 5/15/2030

(d) Series C; Premium Call 5/15/2030

(e) Series B

(f) Series A

(g) Premium Call 6/1/2030 @ 103.000 declining to par in 2033

1. Bloomberg, Capital IQ

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

Issuer	Date	Amount	Rating
City of Virginia Beach Development Authority Residential Care Facility Revenue Bonds (Westminster-Canterbury on Chesapeake Bay)	Week of	\$424,095	NR / NR / BB+
Economic Development Authority of James City County, Virginia Residential Care Facility Revenue Bonds (Williamsburg Landing)	Week of	\$60,810	NR / NR / NR

1. Bloomberg, Capital IQ

## Healthcare News

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### Here's What You Need To Know About The Lower Costs, More Transparency Act<sup>1</sup>

Fierce Healthcare | December 8, 2023

A House vote on transparency regulations in healthcare could occur next week, potentially having substantial ramifications on how PBMs and hospitals operate. Called the Lower Costs, More Transparency Act, the legislation would ban spread pricing in Medicaid, force PBMs and providers to adopt President Trump-era transparency rules, push closer toward site-neutral payment reform, extend a federal program due to expire and approve funding increases for community health centers. The package, negotiated by three separate House committees, has drawn strong opinions from advocacy groups and organizations. The National Community Pharmacists Association pushed for a ban on spread pricing in Medicaid managed care programs. They also support requiring reimbursements based on the sum of average acquisition costs the state's Medicaid fee-for-service dispensing fee, which mandates pharmacies respond to Centers for Medicare & Medicaid Services' national average drug acquisition costs survey to boost transparency efforts in drug pricing.

### The Medicare Gold Rush Is Slowing Down<sup>2</sup>

Wall Street Journal | December 6, 2023

The popularity of private Medicare plans has been a huge driver of profits for insurance companies in recent years. There are signs the gold rush isn't quite what it once was. Investors have been worried all year as the Biden administration phases in a new system that insurers say will reduce federal payments to Medicare Advantage plans. Developments last week at the top two insurers in the Medicare business, UnitedHealth Group and Humana, raised more questions. The most immediate red flag came from the industry leader, UnitedHealth. During an investor day last week, it predicted its Medicare Advantage enrollment would grow by 450,000 to 550,000 seniors in 2024. That translates to around 5% growth next year, a significant slowdown from the 11% it grew so far this year, according to TD Cowen analyst Gary Taylor.

### ADC Manufacturing Will Likely Stay With Established Cdmos Due To High Barrier To Market Entry

Endpoints News | December 7, 2023

Antibody-drug conjugate (ADCs) manufacturing is likely to remain among CDMOs already making them due to demanding market entry requirements, executives in the ADC space said. ADC toxicity requires extra care in production, with staff training and equipment needed beyond traditional manufacturing for chemotherapies and antibodies, they added. "CDMOs of all sizes probably see the current market potential for developmental and manufacture of ADCs, but the ability to enter the space efficiently is limited for many," added Roger Lias, CCO at Aurigene Pharmaceutical Services, a CDMO with ADC manufacturing abilities.

## Healthcare News

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### **Bipartisan Reps Introduce Bill Canceling 2024's 3.4% Medicare Pay Cut To Physicians<sup>1</sup>**

**Fierce Healthcare | December 8, 2023**

A bipartisan group of representatives has introduced a bill into the House that would undo a 2024 physician pay cut finalized last month by the Biden administration. The 2024 Medicare Physician Fee Schedule final rule included a decrease in the conversion factor, which is used to calculate Medicare payments to doctors, that translated to a 3.37% pay decrease from 2023. The Centers for Medicare and Medicaid Services said the cut was necessary to offset increases in payment for other specific types of services, including visits for primary and longitudinal care visits. Still, the rule's proposal and final version were broadly opposed by physicians. Just a couple weeks after the pay cut was finalized, about 120 state and national healthcare organizations including the American Medical Association and the Medical Group Management Association penned a letter (PDF) to Congress warning that physicians would "be forced to reduce available healthcare services, cut office hours or even forgo treating Medicare patients altogether" should they not intercede before the year's end.

### **Biden To Beef Up Healthcare Antitrust Enforcement**

**Becker's Hospital Review | December 7, 2023**

The Biden administration is ramping up efforts to stop what it calls anticompetitive practices by healthcare entities. In a series of policies announced Dec. 7, the administration moved to take action against high prescription drug costs, along with implementing stricter reviews of healthcare mergers and acquisitions. "Consolidation in healthcare markets has accelerated in recent decades, too often leading to higher costs, worse quality and less access to care — particularly in rural areas," the administration wrote in a news release. In October, a Justice Department antitrust division leader said payers and providers should expect close scrutiny of any acquisitions moving forward because the department is ramping up post-merger investigations and will look into attempts to illegally monopolize healthcare markets.

### **The Promise And Pitfalls Of Value-Based Addiction Treatment<sup>3</sup>**

**Behavioral Health Business | December 4, 2023**

Payers and providers have struggled to draw out a roadmap for value-based care in addiction treatment. As a result, the adoption of value-based contracting in substance use care remains low. Still, some payers and providers blazed the trail over the past several years, highlighting some core do's and don'ts for value-based care contracting. "I've been hearing for 10 years that we're on the edge of this," Dr. Tom Britton, CEO of American Addiction Centers, told Behavioral Health Business. "Maybe we are? It's happening in other disciplines for chronic disease ... and I think many of them are working." Brentwood, Tennessee-based American Addiction Centers operates 10 treatment centers and corresponding outpatient and telehealth services. The medical community broadly agrees there is a connection between patients getting treatment for addiction and overall savings to other parts of health care in the first place. One study found that medication-assisted treatment (MAT) for opioid use disorder (OUD) alone could lead to \$15,000 to \$90,000 in lifetime savings per person.

1. <https://www.fiercehealthcare.com/providers/bipartisan-house-bill-introduced-cancel-2024s-34-medicare-pay-cut-physicians>

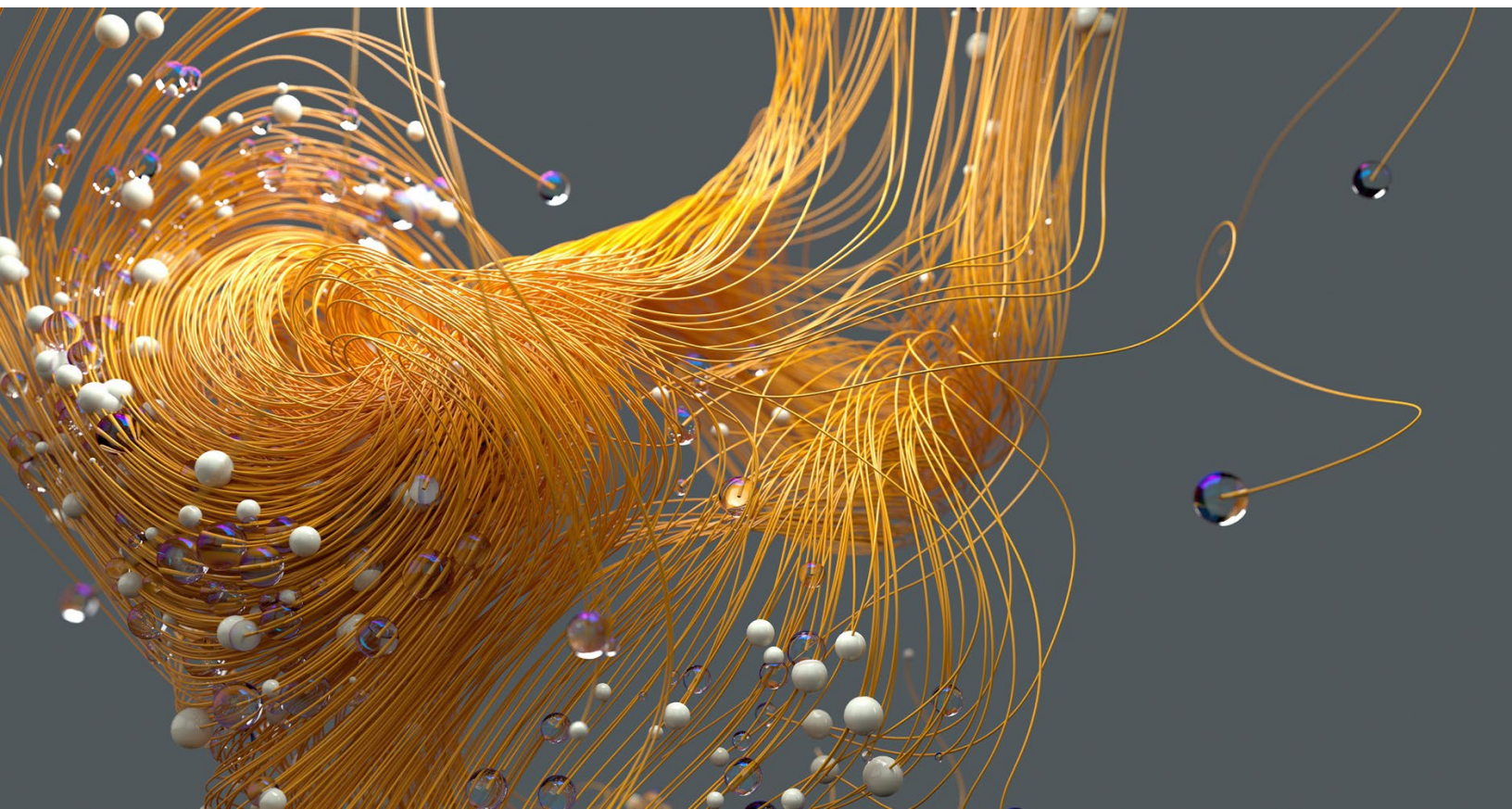
2. <https://www.beckershospitalreview.com/hospital-management-administration/biden-beefs-up-healthcare-antitrust-enforcement.html>

3. <https://bhbusiness.com/2023/12/04/the-promise-and-pitfalls-of-value-based-addiction-treatment/>

December 20, 2023

# Cain Brothers Industry Insights

## Healthcare Market Report



Banker commentary:

### **Guidelines for Investment of Tax-Exempt Bond Proceeds**

# Banker Commentary

## Contents

- Banker Commentary
- M&A Activity
- Private Placements
- Public Equity
- High Grade, High Yield & Leveraged Loans
- Tax-Exempt Debt
- Relevant News
- Recent Cain Brothers Transactions



## Guidelines for Investment of Tax-Exempt Bond Proceeds

*Interview by Joanna Stephenson*

Tax-Exempt bond proceeds investment strategies can be unique, because they must take into account tax law rules, while trying to maximize the objectives of the borrower. There is additional complexity involved when all the bond proceeds are borrowed up-front but not necessarily needed for disbursement right away or are restricted in their use and required to be available on certain dates. An experienced advisor, such as Cain Brothers, can assist tax-exempt borrowers in maximizing their objectives while complying with tax law in the following ways.

### Objectives

Tax-exempt bond issues commonly include a Project or Construction Fund, a Capitalized Interest Fund, and a Debt Service Reserve Fund, all of which are generally required to be held by the bond trustee and used only for specific purposes. These funds are also required to be available for use if and when needed by the borrower. These funds should all be invested with the following objectives:

- I. Security of Principal
- II. Liquidity
- III. Yield Maximization

Traditionally, it may be difficult for tax-exempt borrowers to meet all three investment objectives. Investing to ensure the security of principal and absolute liquidity has generally required an investment in low-yielding securities.

### Solution

Two structured investment products may be used as a way to secure the first two objectives, while securing an attractive fixed yield that isn't subject to reinvestment risk. The two structured investments are an Unsecured Guaranteed Investment Contract ("GIC") and a Collateralized Repurchase Agreement ("Repo").

### Security of Principal

A GIC offers security of principal in the form of a guarantee to repay the principal amount at par at any point in time allowed under the bond documents.

A Repo structure takes security one step further in that it requires the provider of the investment to collateralize the repayment of principal with U.S. Treasury Securities or similar.

### Liquidity

Liquidity measures the ease with which the borrower is able to turn its investment into cash. A GIC or Repo provides maximum liquidity because it allows fully flexible draws. The bond trustee may convert the investment to cash as and when needed.

# continued...

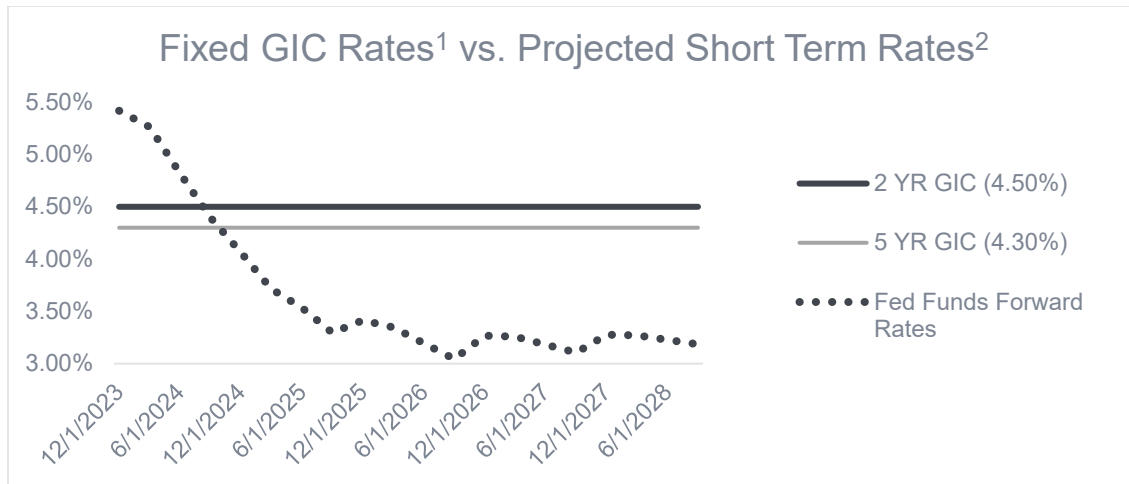
## Yield Maximization

A GIC or Repo offers a competitive yield, that commonly (albeit not always) exceeds the yield of a comparable U.S. Treasury portfolio. Also, the fully flexible draw feature eliminates reinvestment risk. If properly structured, positive arbitrage from other fund investments may be used to increase the yield of the Short-term Project Fund investment.

It should be noted that Debt Service Reserve Fund Investments are particularly unique in that they are long-term and yet require liquidity. Short-term investments are highly liquid yet offer lower yields. Long-term investments offer higher yields yet are typically illiquid. GICS and Repos, on the other hand, offer both higher yields and par liquidity at the same time. Consequently, they deliver an attractive yield and eliminate replenishment risk due to market swings.

## Market Analysis

In the past several months, investors have enjoyed high money market levels in the 5.00% range or higher, which has caused many to leave investments in these short-term instruments. It should be noted, however, that there is currently much talk in the market of the Fed likely cutting rates in 2024. Now may be a good time to lock in an investment for a year or longer, prior to the Fed potentially cutting rates in the future and prior to a potential decline in money market levels. The chart below compares current market fixed rate indications for a GIC<sup>1</sup>, locked-in for two years or five years vs. the Fed Funds Forward<sup>2</sup> curve that represents the “market’s expectation” for what fed funds will be in the future. As you can see from the curve, the market expects fed funds to come down and for the fixed rates able to be locked-in today on a GIC to provide higher levels of return over the same time period.



Cain Brothers has nearly 30 years of experience assisting our clients in the investment of tax-exempt bond proceeds. It may be critical to the success of your investment strategy to include us early in the bond issuance and documentation process to ensure these investment opportunities are permitted and available. For information and specific rate quotes on your structured investment needs please feel free to contact your Cain Brothers Banker or Joanna Stephenson at 646-205-0276.

<sup>1</sup> Indication as of December 18, 2023, for an investment with the stated duration/average life, certain minimum deposit amounts and investment grade investor credit

<sup>2</sup> Fed Funds forward interest rate curve as quoted on Bloomberg® as of December 18, 2023.


# M&A Activity

## Selected Recent Healthcare Transactions (\$MM)

Date	Target Name	Acquirer	EV	Enterprise Value /		Description
				LTM Rev.	LTM EBITDA	
12/15/2023	Advent Health Partners	Trend Health Partners (Lone View Capital)	NA	NA	NA	Designs and develops a platform to provide medical record review solutions
12/14/2023	Ametros Financial (Long Ridge Equity Partners and Clarion Capital Partners)	Webster Bank	\$350	NA	NA	Provider of professional administration of Medicare Set-Asides and other medical custodial accounts
12/13/2023	Bio X Cell	Windjammer Capital Investors	NA	NA	NA	Producer of monoclonal antibodies (mAbs) for use in both in vivo and in vitro pre-clinical research applications
12/13/2023	Ludi	Great Point Partners	NA	NA	NA	Physician payment automation software
12/13/2023	Ntracts	Accel-KKR	NA	NA	NA	Contract lifecycle management solution for healthcare organizations
12/12/2023	Outcomes First Group	The Rise Fund and Stirling Square Capital Partners	NA	NA	NA	Provider of education to young people and adults with autism, learning disabilities, and other complex special education needs
12/11/2023	Alvarado Hospital Medical Center (Prime Healthcare)	UC San Diego Health	\$200	1.8x	NM	302-bed medical facility
12/6/2023	Acclara (Providence)	R1 RCM (NASDAQ: RCM)	\$675	2.3x	27.0x	Technology-driven revenue cycle management company
12/5/2023	Hospice Source (certain assets) (Transition Capital Partners)*	National HME	NA	NA	NA	Supplies, rents, distributes, and services durable home medical equipment to hospice patients
12/5/2023	Skin and Cancer Associates (Susquehanna Private Capita)*	Platinum Dermatology Partners (Sun Capital Partners)	NA	NA	NA	Dermatological practice based in Florida
12/4/2023	Carisk Partners (MBF Healthcare Partners)	Lee Equity Partners and Elements Health Investors	NA	NA	NA	Specialty risk transfer and care coordination company operating in the workers' compensation market
12/4/2023	P3 Oral Surgery	HealthEdge Investment Partners	NA	NA	NA	Oral surgery services organization based in the Mid-Atlantic region
12/4/2023	Valant Medical Solutions (Gemspring Capital)	Resurgens Technology Partners	NA	NA	NA	Provider of web-based electronic health record and electronic mental health billing system for behavioral health sector
12/1/2023	Bravera Health (Community Health Systems)	Tampa General Hospital	NA	NA	NA	Health system includes: 3 acute care hospitals, freestanding ER, 2 ASCs and 10 primary care and specialty care clinics based in Florida
12/1/2023	ConcertoCare's PACE Programs	InnovAge (Nasdaq: INNV)	NA	NA	NA	Tech-enabled, value-based provider of at-home, comprehensive care for seniors and other adults with unmet health and social needs

Sources: Capital IQ, Mergermarket, and press releases

\* Denotes Cain Brothers/KeyBanc Capital Markets participation

 Transaction occurred the past week

# Private Placement Activity

Date	Company	Investor(s)	Type	Amount	Description
12/13/2023	Twin Health	Temasek Holdings (lead), oak XV Partners, Sofina Société Anonyme, ICONIQ Growth and Helena Group Foundation	Undisclosed	Undisclosed	Precision health platform for doctors to normalize blood sugar, stop medicines, and reverse diabetes and chronic diseases
11/27/2023	RepeatMD	Centana Growth Partners and Full In Partners (co-leads), PROOF	Series A	\$50	SaaS company leveraging inbound revenue to increase sales for aesthetic and wellness practices
11/9/2023	Vida Health	General Atlantic, Ally Bridge, Canvas Ventures, Hercules Capital	Undisclosed	\$29	Virtual care company, designs and develops an application to prevent, manage, and reverse chronic conditions
11/8/2023	Eleos Health	Menlo Ventures (lead), -Prime Capital, Eight Roads, Arkin Digital Health, SamsungNEXT and ION	Series B	\$40	Behavioral health AI
11/1/2023	Covera Health	Insight Partners (lead)	Series C (Additional)	\$50	AI-enabled diagnostic technology company focused on radiology performance measurement
11/1/2023	Free Market Health	Questa Capital (lead), Alta Partners, Highmark Ventures, and 653 Investment Partners	Series B	\$20	Specialty pharmacy care-driven marketplace platform
10/26/2023	Abridge	Spark Capital (lead), Bessemer Venture Partners, CVS Health Ventures, Kaiser Permanente Ventures, Lifepoint Health, Mayo Clinic, SCAN Group, UC Investments and the American College of Cardiology	Series B	\$30	Generative AI for clinical documentation
10/24/2023	HealthEC	HLM Venture Partners and the Labcorp Venture Fund	Undisclosed	Undisclosed	Provider of population health management solutions and health digital transformation
10/19/2023	Petfolk	Movendo Capital (lead), White Star Capital and Idea Farm Ventures	Series B	\$40	Veterinary provider with ~11 locations in the Southeast
10/18/2023	Waymark	Lux Capital (lead), CVS Health Ventures, Andreessen Horowitz and New Enterprise Associates	Undisclosed	\$42	Medicaid provider enablement company
10/16/2023	BondVet	Warburg Pincus and Talisman Capital Partners	Growth	\$50	Urgent and primary care provider for pets
10/11/2023	Capital Rx	Atlantic Health System, Banner Health, Hawai'i Pacific Health, Inova Health System, Lehigh Valley Health Network, Memorial Hermann Health System, Nebraska Medicine, Novant Health, Ochsner Health, WellSpan Health and Transformation Capital	Strategic	\$50	Full-service pharmacy benefit manager and pharmacy benefit administrator
10/5/2023	Connections Health Solutions	Town Hall Ventures (lead), Heritage Group	Growth	\$28	Provider of immediate-access behavioral health crisis care
10/5/2023	Diana Health	Norwest Venture Partners (lead), .406 Ventures, LRVHealth and AlleyCorp	Series B	\$34	Network of women's health practices that partner with hospitals
10/3/2023	Cortica	CVS Health Ventures (lead), LRVHealth, Ascension Investment Management and the University of Wisconsin Foundation	Series D Extension	\$40	Physician-led, whole-child, value-based autism services company



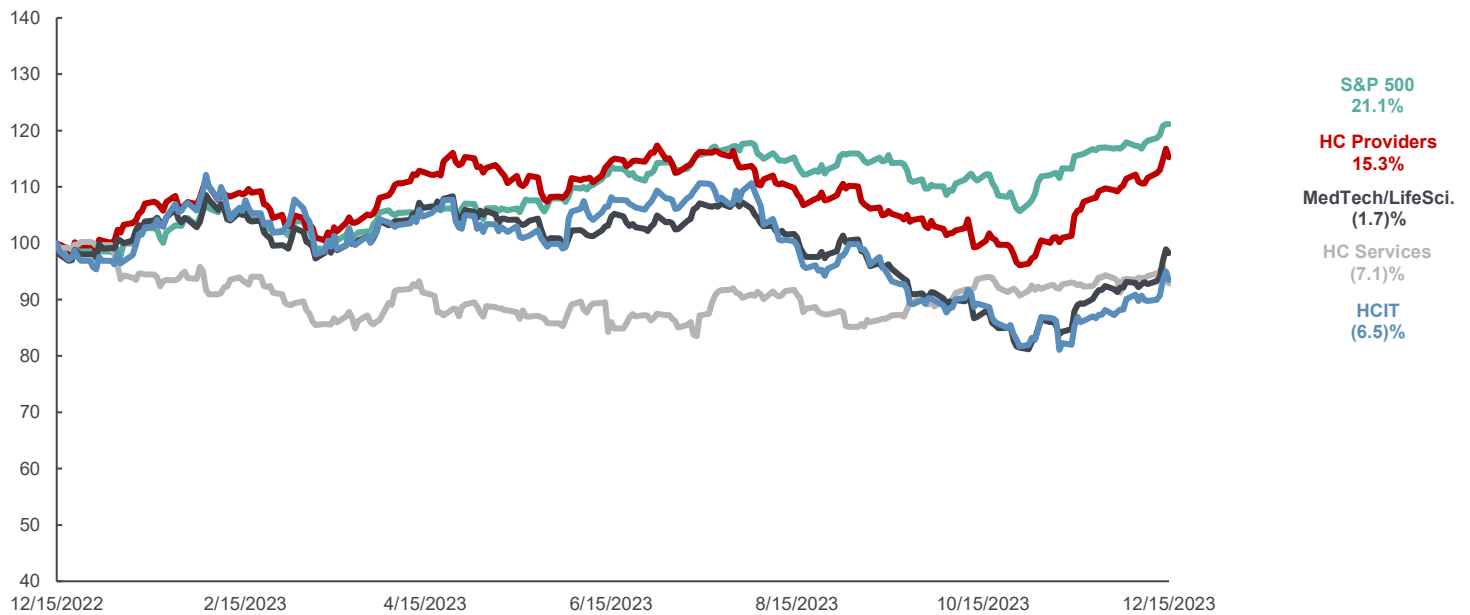
# Public Equity Market Activity & Indices

## Equity Indices (as of December 15, 2023)

Index	Wk Open	Wk Close	Returns	
			52 Week	Weekly
DJIA	36,248	37,305	12.4%	2.9%
S&P 500	4,604	4,719	21.1%	2.5%
NASDAQ	14,404	14,814	37.0%	2.8%
Russell 2000	1,881	1,985	11.9%	5.5%
NYSE Healthcare	23,428	23,618	1.8%	0.8%

Cain Brothers Indicies	Returns	
	52 Week	Weekly
Acute Care	9.8%	5.4%
Alternate Site Services	19.1%	2.7%
Diagnostics	8.9%	1.9%
Distribution	8.2%	(3.5%)
Healthcare IT	(6.5%)	4.1%
Healthcare REITs	14.5%	4.1%
Managed Care	(4.6%)	(1.5%)
Medical Technology	(2.5%)	6.0%
Outsourced Services	(19.4%)	1.9%
Pharma Services	4.8%	5.8%
Pharmacy	(27.6%)	0.8%
Primary Care	(32.1%)	11.6%
Post-Acute Care	32.0%	2.7%

## Cain Brothers Healthcare Indices (1YR Performance)



# High Grade, High Yield & Leveraged Loan Market

## Market Overview

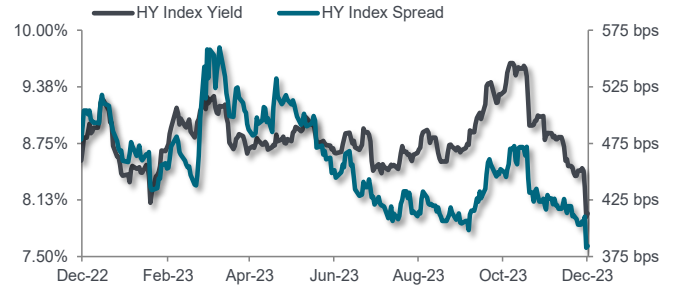
### High Yield

The high yield primary market had a strong showing last week, with eight issuers tapping the market to raise \$4.3 billion

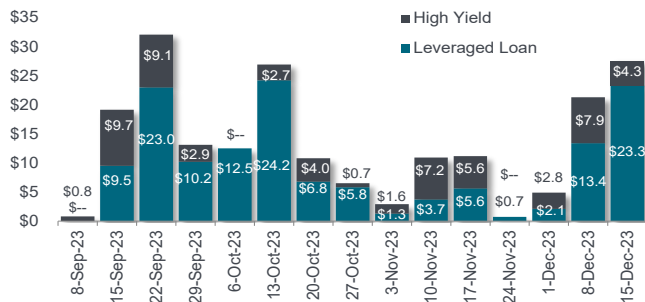
### Term Loan B Market

Volume throughout 2023 has been heavily weighted towards refinancings to address near term maturities and other opportunistic transactions with M&A / LBO issuance well below historical averages

## HY Index Yield & Spread (YTD)



## Weekly New Issue Volume (\$B)



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

Double-B Issuers	2Q23	3Q23	30-Day Rolling Average	
			12/15/23	
Ba1	S+294 / 8.6%	S+244 / 7.87%	S+240 / 7.9%	
Ba2	S+265 / 7.9%	S+243 / 7.78%	S+238 / 7.8%	
Ba3	S+314 / 8.6%	S+307 / 8.6%	S+285 / 8.4%	

Single-B Issuers	2Q23	3Q23	30-Day Rolling Average	
			12/15/23	
B1	S+356 / 9.0%	S+358 / 9.2%	S+353 / 9.1%	
B2	S+448 / 10.2%	S+426 / 10.1%	S+476 / 10.0%	
B3	S+489 / 10.7%	S+470 / 10.2%	S+438 / 10.1%	

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	IPT-Pricing
12/5/2023	Stryker Corp	Sr Notes	\$600	Baa1/BBB+/-	4.850%	12/8/2028	+73	27 bps
11/28/2023	Thermo Fisher Scientific Inc*	Sr Notes	\$1,000	A3/A-/A-	5.000%	12/5/2026	+52	23 bps
11/28/2023	Thermo Fisher Scientific Inc*	Sr Notes	\$1,000	A3/A-/A-	5.000%	1/31/2029	+72	18 bps
11/28/2023	Thermo Fisher Scientific Inc*	Sr Notes	\$500	A3/A-/A-	5.200%	1/31/2034	+87	23 bps

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

Date	Issuer	Security	Size	Ratings	Coupon	Maturity	Spread	Price Talk
12/11/2023	CHS/Community Health	Sr. Sec. Notes	\$1,000	Caa1/B-/B+	10.875%	1/15/2032	664 bps	11.00% area
9/29/2023	LifePoint Health Inc	Sr. Sec. Notes	\$1,100	B2/B/NR	11.000%	10/15/2030	639 bps	11.0%
9/19/2023	Syneos Health	Sr. Sec. Notes	\$1,000	B1/B/BB	9.000%	10/1/2030	465 bps	9.25%-9.50%

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

Date	Issuer	Ownership	Corp. Ratings	Use of Proceeds	Size	Pricing	Yield
12/15/2023	Catalent Inc	Not Sponsored	Ba2 / BB-	Refinancing	\$600	SOFR+300, 0.50% @ 99.25	8.543%
12/14/2023	R1 RCM*	Not Sponsored	Ba3 / B+	Acquisition	\$575	SOFR+300, 0.50% @ 98.79	8.661%
12/14/2023	Forefront Dermatology SC	Partners Group	B2 / B	Refinancing	\$110	SOFR+550, 0.50% @ 97.5	11.483%
12/14/2023	Summit Behavioral Healthcare LLC	Patient Square Capital	B3 / B-	Refinancing	\$200	SOFR+CSA+475, 0.75% @ 99.25	10.410%
12/5/2023	Surgery Partners	Not Sponsored	B2 / B	Refinancing	\$1,400	SOFR+350, 0.00% @ 99	9.110%

## Most Recent Healthcare Pro Rata Issuances (\$MM)

Date	Issuer	Ownership	Ratings	Use of Proceeds	Size	Pricing (in bps)	Financial Covenants
11/3/2023	Apollo Medical Holdings	Public	NR / NR	Refinancing	\$300mm TLA	Leverage-based Grid SOFR+CSA+150-275 CSA: 10	Max. Total Net Leverage Ratio: 3.75x w/ step-up to 4.00x Min. Interest Coverage Ratio: 3.25x
9/13/2023	Ventas	Public	Baa1/BBB+	Refinancing	\$200mm TLA	Ratings-based Grid SOFR+CSA+72.5-160 CSA: 10	Min. Fixed Charge Coverage Ratio: 1.5x

# Tax-Exempt Debt Market

## Market Summary (as of December 1, 2023)

Security	Current (%)	One Week Ago (%)	One Year Ago (%)
A-rated Tax-Exempt Hospital Bonds (30-Yr)	4.33%	4.51%	4.92%
AA Tax-Exempt Hospital Bonds (30-Yr)	4.18%	4.36%	4.67%
SIFMA (Variable Rate Demand Notes)	3.38%	2.98%	3.73%
Revenue Bond Index	3.74%	3.69%	3.87%
SIFMA/1 Month SOFR	63.11%	55.65%	86.32%
RBI/30 Yr Treasury (%)	93.31%	85.74%	109.63%
30-Year Fixed Pay Swap (79% SOFR)	2.77%	3.03%	2.46%

## Most Recent Healthcare Issuances<sup>1</sup> (\$MM)

Borrower	Par	State	Rating	Maturity	Call, Put or Reprice*	Coupon	Yield to Worst	Yield to Mat.	AAA
Westminster-Canterbury on Chesapeake Bay <sup>(a)</sup>	\$258.230	VA	NR / NR / BB+	2059	2033 (C)	7.00%	6.97%	6.98%	3.76%
Westminster-Canterbury on Chesapeake Bay <sup>(b)</sup>	\$103.000	VA	NR / NR / BB+	2029	2026 (C)	5.38%	5.38%	N/A	2.49%
Westminster-Canterbury on Chesapeake Bay <sup>(c)</sup>	\$41.500	VA	NR / NR / BB+	2030	2026 (C)	5.75%	5.75%	N/A	2.50%
Westminster-Canterbury on Chesapeake Bay <sup>(d)</sup>	\$20.750	VA	NR / NR / BB+	2030	2026 (C)	6.25%	6.25%	N/A	2.50%
Williamsburg Landing <sup>(e)</sup>	\$36.560	VA	NR / NR / NR	2058	2033 (C)	6.88%	6.80%	6.83%	3.76%
Williamsburg Landing <sup>(f)</sup>	\$15.800	VA	NR / NR / NR	2027	2024 (C)	5.25%	5.25%	N/A	2.53%
Williamsburg Landing <sup>(g)</sup>	\$6.350	VA	NR / NR / NR	2028	2024 (C)	5.50%	5.50%	N/A	2.50%
Williamsburg Landing <sup>(h)</sup>	\$3.200	VA	NR / NR / NR	2028	2024 (C)	5.75%	5.75%	N/A	2.50%
University Hospital Health System Inc. <sup>(i)</sup>	\$57.800	OH	NR / NR / NR	2039	2024 (C)	5.50%	5.50%	N/A	3.14%

**\$543.190**

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

- (a) Residential Care Facility Revenue Bonds; Series A; Premium Call on 9/1/2030 @ 103.000, declining to par on 9/1/2033
- (b) Series B-3; Tax Exempt Mandatory Paydown Securities (Temps-50)
- (c) Series B-2; Tax Exempt Mandatory Paydown Securities (Temps-70)
- (d) Series B-1; Tax Exempt Mandatory Paydown Securities (Temps-80)
- (e) Residential Care Facility Revenue Bonds, Series A; Premium Call on 12/1/2030 @ 103.000, declining to par on 12/1/2033
- (f) Series C-3; Tax Exempt Mandatory Paydown Securities (Temps-50)
- (g) Series C-2; Tax Exempt Mandatory Paydown Securities (Temps-70)
- (h) Series C-1; Tax Exempt Mandatory Paydown Securities (Temps-80)
- (i) Series 2023-C Private Placement; Premium Call on 9/20/2024 @ 100.250, declining to par on 12/20/2024
1. Bloomberg, Capital IQ

## What's On Deck<sup>1</sup> (\$MM)

Issuer	Date	Amount	Rating
California Public Finance Authority Revenue Bonds (Sharp Healthcare) Series 2024A	12/19/2023	\$350.755	Aa3 / AA / NR

1. Bloomberg, Capital IQ

## Relevant News

### CMS Unveils New Model To Support Medicaid Agencies In Offering Whole-Person Maternal Health<sup>1</sup>

*Fierce Healthcare | December 15, 2023*

The Centers for Medicare & Medicaid Services is rolling out a new payment model that aims to support state Medicaid agencies in offering whole-person maternal care. The new Transforming Maternal Health model is a 10-year long approach, and during that time states can secure \$17 million in funding for the changes. The goal, CMS said in a release, is to better back states as they develop and implement programs that support pregnancy, childbirth and postpartum care for women enrolled in Medicaid or the Children's Health Insurance Program. Through the program, women will receive personalized support during pregnancy and postpartum, CMS said. The model also backs increased access to key providers, such as doulas, midwives or birth centers. Medicaid agencies will also work with CMS to ensure that hospitals and health systems secure the "birthing friendly" designation, which certifies their focus on maternal care. Medicaid programs will also receive assistance in rolling out new evidence-based programs, such as in-home monitoring for people with pregnancy-related conditions like gestational diabetes and hypertension.

### Back To Normal? Healthcare Spending Growth Rates Down From Pandemic Era<sup>2</sup>

*Fierce Healthcare | December 13, 2023*

The healthcare spending rate has increased 4.1% in 2022 to \$4.5 trillion, or \$13,493 per person, according to a new report from the Centers for Medicare & Medicaid Services published in Health Affairs. While already previously revealed by CMS in June, the analysis sheds new light on how, and why, health care spending changed in the U.S. last year. Notably, the number of uninsured individuals has declined for three straight years with the insured population rate reaching 92%, or 26.6 million individuals uninsured. For payers, Medicaid spending increased 9.6% in 2022, followed by out-of-pocket spending at 6.6% and Medicare and private health insurance spending clocking in at 5.9% growth. Private health insurance spending remained the bulk national health care expenditures as it reached \$1.3 trillion, accounting 29% of total health expenses. The growth rate was slower than in 2021, due to less demand for elective surgeries that were completed in 2021 after they had been delayed during the COVID-19 pandemic. The out-of-pocket growth rate decreased from 11% in 2021 after less growth for dental services, durable medical equipment and physician and clinical services, according to the report.

### Google Reveals New Generative AI Models For Healthcare<sup>3</sup>

*Healthcare Dive | December 13, 2023*

Generative AI, which can be used to create new content like text or images, has become an increasingly popular topic in the healthcare sector, and tech giants like Microsoft, Oracle and Amazon have announced products geared toward the industry this year. Though relatively few healthcare organizations have currently adopted generative AI tools, more than half of executives said they're looking to buy or implement the products within the next year, according to a recent survey by Klas Research. The latest family of foundation models is built on Med-PaLM 2, Google's large language model trained on medical information. The LLM was revealed in March this year, and the tech giant announced this summer that it would expand access to more healthcare organizations after a limited group — including HCA Healthcare, Mayo Clinic and Meditech — began testing the tools. The two healthcare models aim to offer flexibility to healthcare organizations as they implement AI for different tasks, Yossi Matias, vice president of engineering and research at Google, and Aashima Gupta, global director of healthcare strategy and solutions at Google Cloud, wrote in the blog post.

# continued...

## **AMA Finds Commercial, MA Markets Highly Concentrated Among Insurers<sup>1</sup>**

**Healthcare Finance News | December 13, 2023**

The American Medical Association today identified the industry giants with the biggest shares of the markets for commercial health insurance, Medicare Advantage, and public health exchanges, with UnitedHealthcare and Elevance Health representing the largest insurers by overall market share. The AMA, which weighs in on policy issues, said high levels of market concentration is leaving millions of Americans with limited competitive options for health insurance. The 2023 edition of Competition in Health Insurance: A Comprehensive Study of U.S. Markets examined 381 metropolitan statistical areas (MSAs), the 50 states and Washington D.C., and tabulated market shares for the two largest health insurance companies. It also analyzed state and MSA-level market concentration according to measures used in current federal antitrust guidelines. Markets that exceed a regulatory threshold set by federal guidelines are considered "highly concentrated" and lack adequate health insurer competition.

## **Payers' Increasing Claims Denials, Delays 'Wreaking Havoc' On Provider Revenue Cycles<sup>2</sup>**

**Fierce Healthcare | December 14, 2023**

A jump in claim delays and denials is "wreaking havoc on providers' revenue cycle performance" and contributing to health systems' "volatile" accounts receivable and diminishing cash reserves, according to a recent pair of analyses. The first, published this week by Kodiak RCA (formerly Crowe healthcare consulting), pulls average revenue cycle performance benchmarks from its platform incorporating data from more than 1,800 hospitals and 200,000 physicians. The analysis found, among other trends, an increase in overall initial denial rates from 10.15% in 2020 to 11.2% in 2022, and then up again to 11.99% in the first three quarters of 2023. Additionally, it pointed to 2020-2023 increases in 90-day-plus accounts receivable's percentage of payer claim value, both for patients with Medicare Advantage (19% to 36%) and commercial (27% to 36%) coverage. The other report, released late last month by Syntellis and the American Hospital Association (AHA), reviewed the financial data of more than 1,300 hospitals and health systems.

## **Hospital Pricing Data Troves Raise Stakes On Employer Plan Costs<sup>3</sup>**

**Bloomberg Law | December 18, 2023**

Employers that sponsor health plans are beginning to have more options for comparing prices they pay to hospitals as more organizations ramp up data services that at times show large cost variations for medical treatments. "We're seeing wide price variation even in the same hospitals on the same day based upon the negotiated prices by the differing health insurance carriers or health plans," said Cynthia Fisher, founder and chairman of the philanthropic group Patient Rights Advocate, which provides free price data for nearly all of the more than 6,000 hospitals in the US. "For the employers, this is eye-opening." Being able to compare prices negotiated between hospitals and health insurers is important for employers and unions that run health plans, which may be able to use the information to try to negotiate lower rates. It's also essential for employer-sponsored plans to perform these analyses in order to meet their fiduciary duty under the Employee Retirement Income Security Act.