

# Healthcare & Life Sciences

Payor Services Sector Review | Q1 2022



# Harris Williams HCLS Group Update

## Global Platform



## HARRIS WILLIAMS ("HW")

- **30+** years and more than 1,000 closed transactions
- **415+** professionals across eight offices globally
- **175+** closed transactions in the last 24 months
- **10** industry groups

## FOCUSED ADVISORY SERVICES

- Mergers and acquisitions (M&A)
- Capital raises
- Corporate divestitures

## CONSISTENT RECOGNITION FOR QUALITY



## HW HEALTHCARE & LIFE SCIENCES ("HCLS") GROUP



## HCLS VERTICAL COVERAGE OVERVIEW

PAYORS & PAYOR SERVICES	PHARMACY
PROVIDERS	OUTSOURCED PHARMA SERVICES
OUTSOURCED PROVIDER SERVICES	PHARMACEUTICALS
MEDICAL PRODUCTS & DEVICES	CLINICAL LAB SERVICES
PROVIDER, PHARMA, & DEVICE DISTRIBUTION	LIFE SCIENCES TOOLS
CLINICAL LAB SERVICES	HCIT

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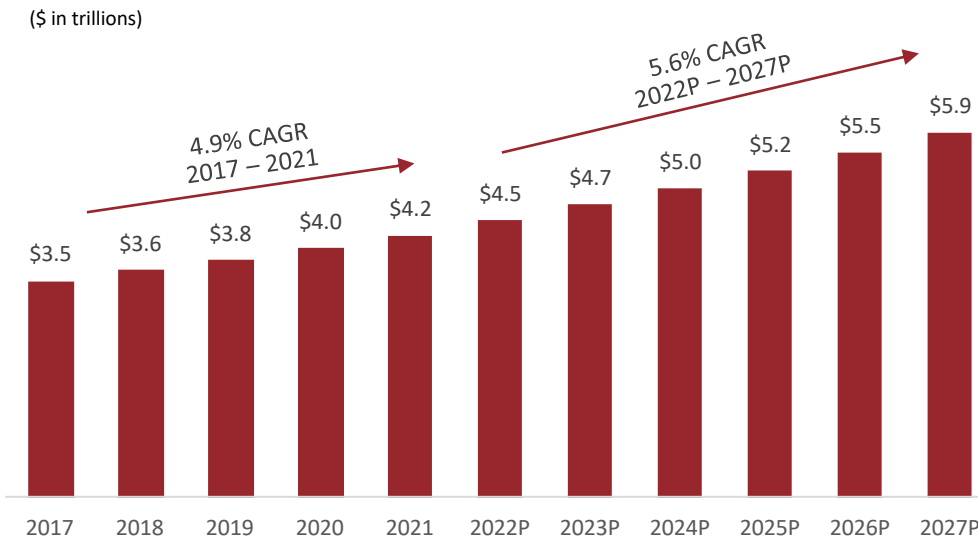
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# Market Overview

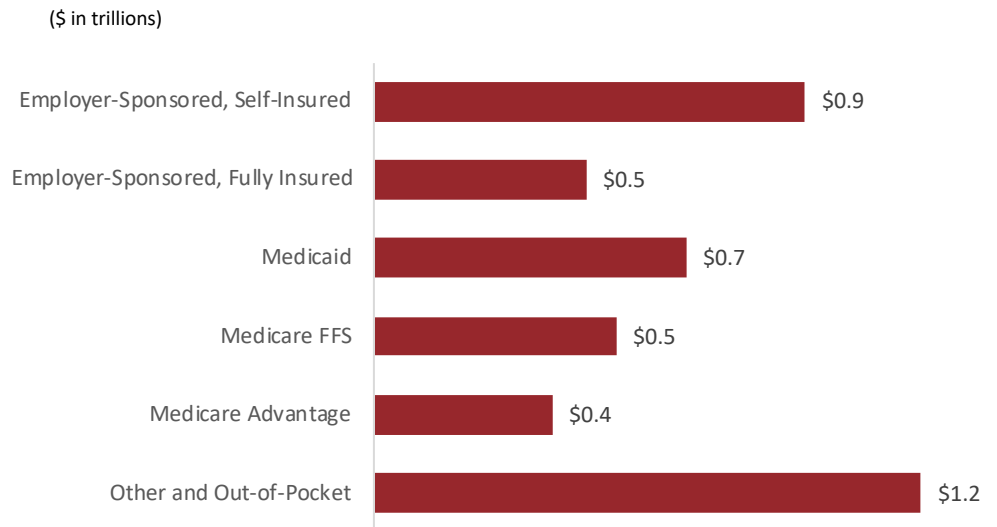
Commercial and government reimbursed healthcare spend has climbed to over \$4 trillion, creating significant market opportunities for solution providers who help manage costs, improve member experience, and provide other outsourced solutions to health plans and plan sponsors.

- Healthcare spending growth has continued to accelerate, although ~65% of total U.S. health spending is expected to be tied to quality and value by 2025 through the adoption of new payment models focused on value

## HEALTHCARE SPEND ACROSS COMMERCIAL AND GOVERNMENT PAYORS<sup>(1)</sup>



## SPEND BREAKDOWN BY SEGMENT<sup>(1)</sup>



## HARRIS WILLIAMS PAYOR SERVICES MARKET SEGMENTATION – REPRESENTATIVE COMPANIES

Health Plans and Network Services	Third-Party Administrators	Direct-to-Payor Provider Services	Pharmacy Benefit Management	Cost Containment and Member Engagement	Other Payor-Focused Outsourced Solutions

# Mega Trends We're Watching in 2022

1)



## **Expansion of Value-Based Care in Commercial Employer Segment**

Innovative direct-to-employer models are enabling employers to take better control over network design and healthcare costs. We believe that the next two years will bring accelerated shift to value-based care population health models in the Commercial Employer segment, similar to the activity we have seen over the last several years in the Medicare Advantage world.

2)



## **Continued Growth Among Independent Third-Party Administrators**

More employers are self-insuring and recognizing the benefits of an independent third-party administrator to help with network design, care management, and cost containment solutions. The market has seen a shift away from commercial insurance company ASOs, which tend to lack flexibility and focus for mid-size employers.

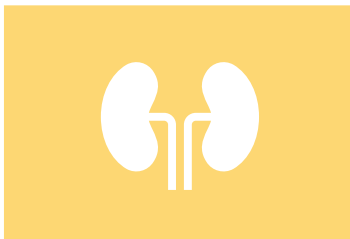
3)



## **Regulatory Activity**

The past two years have seen a flurry of new regulations that will impact the payor services market, most notably the Price Transparency and No Surprise Billing laws. We believe that in the long term these acts should reduce overall healthcare spend, but in the near term significant questions remain on how implementation will play out. The current environment creates opportunities for technology and service providers who can help health plans and self-insured employer groups navigate the upcoming changes.

4)



## **Accelerating Demand for Specialty Benefit Management**

Self-insured employers and health plans are increasingly looking for solutions to address accelerating spend across kidney care, surgery, DME, behavioral health, fertility, and other high-spend categories, creating opportunities for best-in-class solutions providers addressing these needs.



# What We're Reading

## RELEVANT PAYOR SERVICES SECTOR NEWS

### National Survey of Employer-Sponsored Health Plans

#### Mercer

With the pandemic disrupting healthcare utilization and adding stress to employees' lives, employers are focusing on supporting behavioral health; developing future-focused strategies for virtual healthcare; and seeking new ways to engage employees whether they are at worksites or remote. The Mercer National Survey of Employer-Sponsored Health Plans explores the top program trends to watch in the sector in 2022.

Read the Full Article [Here](#).

### Medicare Advantage Enrollment Soars Almost 9%

#### Axios

Axios explains how more than 28.5 million seniors and people with disabilities were enrolled in a private Medicare Advantage program as of January 1, 2022, an 8.8% increase from the same time in 2021. Enrollment in Medicare Advantage continues to grow, with 2022 enrollment expected to surpass the federal government's prediction of 29.5 million people.

Read the Full Article [Here](#).

### No Surprises Act Implementation: What to Expect in 2022

#### KFF

The No Surprises Act (NSA) establishes new federal protections against surprise medical bills that take effect in 2022. According to KFF, the NSA will protect consumers from surprise medical bills by requiring private health plans to cover out-of-network claims and apply in-network cost sharing, and by prohibiting doctors, hospitals, and other covered providers from billing patients more than in-network cost sharing amount for surprise medical bills.

Read the Full Article [Here](#).

### Insurers Return \$2B to Consumers for 2020 Under ACA

#### HealthCare Dive

HealthCare Dive provides a recap of how insurers paid back nearly \$2 billion in excess premium charges to enrollees in 2020, in an indication of the industry's profitability during the COVID-19 pandemic. The rebates for a portion of premium payments are required under the Affordable Care Act if an insurer's spending on patient claims and quality-of-care improvements falls below specified thresholds.

Read the Full Article [Here](#).

### Recent HW HCLS Content

- Employer Health: Third-Party Administrators



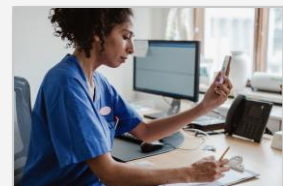
[Read More](#)

- Employer Health: Specialty Benefit Managers













[Read More](#)

- Employer Health: Direct Healthcare Providers



[Read More](#)

# Notable Payor Services Transactions

Transaction (Target / Buyer)	Overview <sup>(1)</sup>	Valuation Detail (\$ Enterprise Value)	Multiple	Subvertical
<p><i>Close Pending</i></p> 	<p><b>Castlight Health Acquired by Vera Whole Health</b></p> <ul style="list-style-type: none"> <li>Castlight Health (NYSE: CSLT) provides health navigation solutions for employers and health plan customers in the United States.</li> <li>Vera Whole Health, a value-based care provider, agreed to acquire Castlight in a public-to-private deal for \$370M.</li> <li>Major health insurer Anthem pledged an undisclosed investment toward the deal.</li> </ul>	\$304M	2.2x 2021E Revenue	 <p>Member Engagement and Care Navigation</p>
<p><i>Closed January 2022</i></p> 	<p><b>Basys Acquired by Five Arrows and BPOC</b></p> <ul style="list-style-type: none"> <li>Basys is a Baltimore-based provider of benefits administration software to multiemployer plan Fund Offices and TPAs across the United States and Canada.</li> <li>Five Arrows and BPOC acquired basys and merged with ISSI to create the largest benefits administration software platform serving the Taft Hartley market.</li> </ul>	Not Publicly Disclosed	Not Publicly Disclosed	 <p>Multi-Employer Health</p>
<p><i>Closed January 2022</i></p> 	<p><b>Magellan Health Acquired by Centene</b></p> <ul style="list-style-type: none"> <li>Magellan Health (NasdaqGS: MGLN) provides healthcare management services to health plans and other managed care organizations, employers, TPAs, and labor unions.</li> <li>The acquisition will broaden Centene's ability to provide "whole person" care, as the pandemic has highlighted the need to increase access to behavioral health services.</li> </ul>	\$2.1B	11.1x 2021E EBITDA	 <p>Healthcare Management Services</p>
<p><i>Closed January 2022</i></p> 	<p><b>Bright Health Group Received Investment from Cigna Ventures and NEA</b></p> <ul style="list-style-type: none"> <li>Founded in 2015, Bright Health Group (NYSE: BHG) engages in the delivery and financing of health insurance plans in the United States.</li> <li>Cigna Ventures, the venture capital arm of Cigna (NYSE: CI), and longtime investor New Enterprise Associates invested \$750M in Bright Health Group.</li> </ul>	\$750M Convertible Preferred Investment	NA	 <p>Tech-Enabled Health Plans</p>
<p><i>Closed September 2021</i></p> 	<p><b>Iora Health Acquired by One Medical</b></p> <ul style="list-style-type: none"> <li>One Medical expanded from the commercial segment with the acquisition of Iora Health, a leader in value-based care in the Medicare Advantage market.</li> <li>The transaction was valued at \$1.9bn, or 7x 2021E revenue. Since the transaction closed on September 1, One Medical's stock has traded down ~40% as of January 2022.</li> </ul>	\$1.9B	7.0x 2021E Revenue	 <p>Direct-to-Payor Provider Services</p>





# Harris Williams Payor Services Experience

## Selected HCLS Payor Services Experience

 <i>a portfolio company of</i>  <i>has been acquired by</i>  	 <i>a portfolio company of</i>  <i>has been acquired by</i> 	 <i>a subsidiary of</i>  <i>has received a majority investment from</i> 	 <i>a portfolio company of</i>  <i>has received an investment from</i> 
 <i>a portfolio company of</i>  <i>has received an investment from</i> 	 <i>a portfolio company of</i>  <i>has been acquired by</i> 	 <i>has been acquired by</i>  <i>a portfolio company of</i> 	 <i>a portfolio company of</i>    <i>has been acquired by</i>  
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## Harris Williams' Transaction Spotlight

Announced January 2022

  
*a portfolio company of*  
  
*has been acquired by*  
  


### Company Background

Basys is a leading provider of benefits administration software to multiemployer plan fund offices and third-party administrators across the United States and Canada.

### Successful Outcome

The transaction delivered a successful outcome for basys and WindRose Health. The acquisition and basys' subsequent merger with ISSI will provide unmatched customer service and expanded capabilities for product development and innovation.

### Harris Williams' Role

































































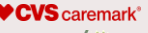


























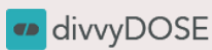










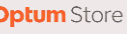


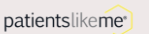





Harris Williams served as exclusive financial advisor to basys, a portfolio company of WindRose Health Investors, in this transaction.

### Relevant Subsectors

Benefits Administration

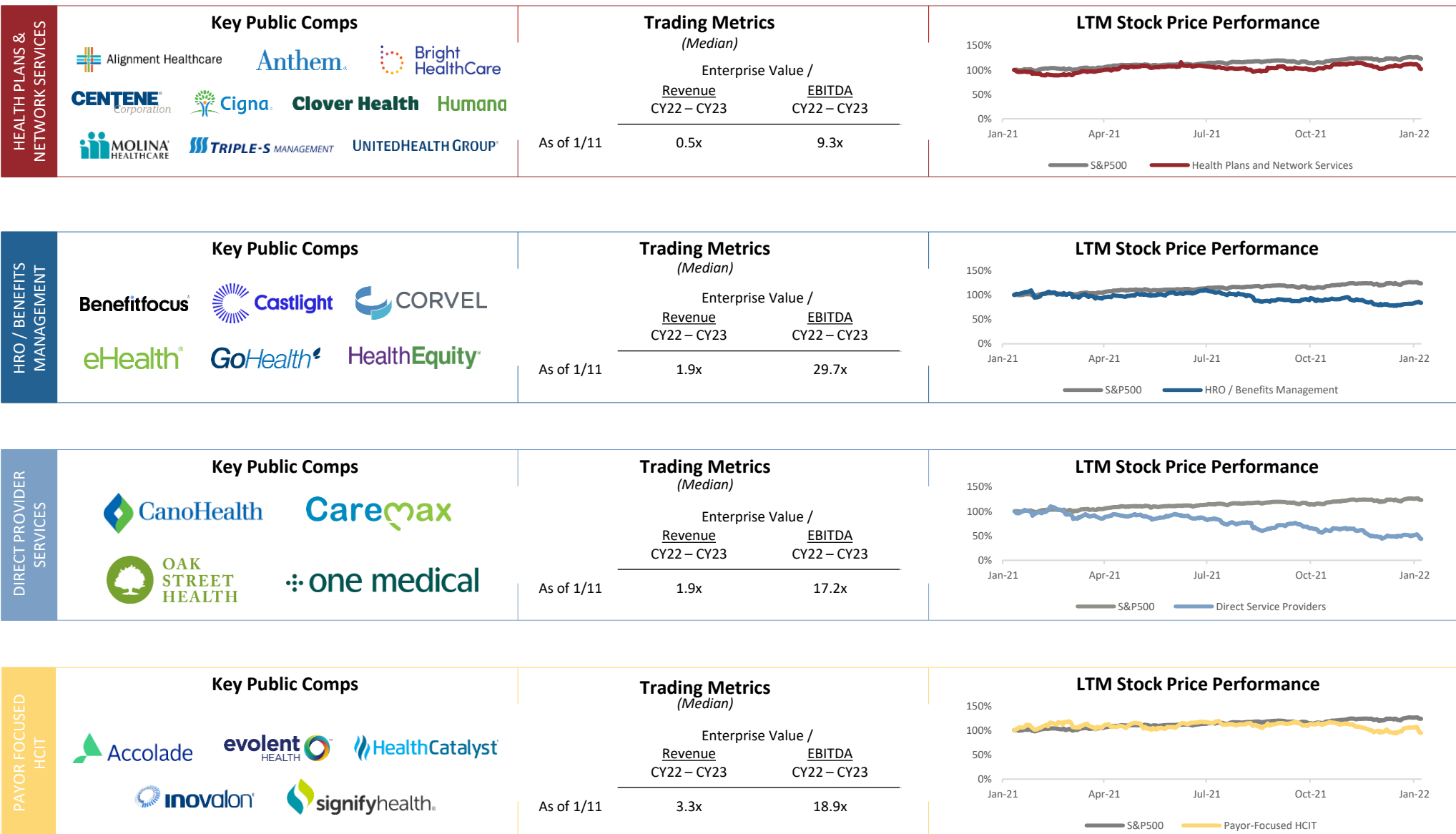
Data & Analytics

# Active Payor Strategies Update

Company	Financial Profile <sup>(1)</sup>	Recent Transactions		Current Offering / M&A Interests				
				TPA / ASO	Government Healthcare	Care Delivery	Pharmacy and PBM	Digital Capabilities
	Mkt Cap: \$110B Cash: \$34.0B	    	Current Offering		  	 		
			M&A Interest					
	Mkt Cap: \$47B Cash: \$14.9B	  	Current Offering		 	 	 	
			M&A Interest					
	Mkt Cap: \$79B Cash: \$4.8B	  	Current Offering			 	  	  
			M&A Interest					
 	Mkt Cap: \$140B Cash: \$12.8B	  	Current Offering				   	 
			M&A Interest					
	Mkt Cap: \$50B Cash: \$18.0B	 	Current Offering		 	 	 	
			M&A Interest					
	Mkt Cap: \$442B Cash: \$23.9B	  	Current Offering	 	 	  	 	  
			M&A Interest					



# Payor Services Public Market Observations<sup>(1)</sup>



# Payor Services – Landscape

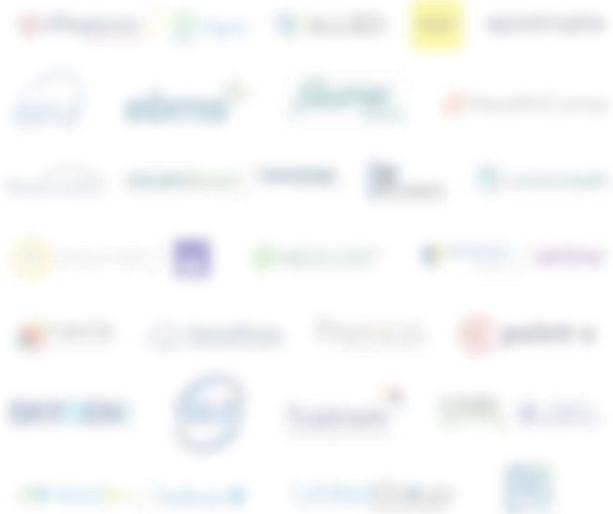
TO VIEW FULL MARKET MAP  
PLEASE CONTACT:

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## THIRD-PARTY ADMINISTRATORS

- ✓ Providers of outsourced plan administration services to self-funded employers and other health plans

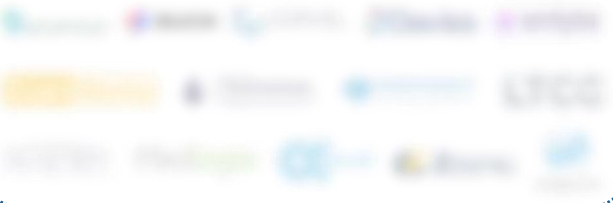
### COMMERCIAL HEALTHCARE TPAS



### SPECIALTY HEALTHCARE TPAS



### OTHER TPAS / OUTSOURCED SERVICES



## HEALTH PLANS AND NETWORK SERVICES

- ✓ Tech-enabled full health plans and specialty benefit managers helping to manage high-cost claims

### TECH-ENABLED HEALTH PLANS



### SPECIALTY BENEFIT MANAGERS (SBM) BEHAVIORAL HEALTH BENEFIT MANAGEMENT



### DME MANAGEMENT



### FERTILITY BENEFIT MANAGEMENT



### HOME HEALTH BENEFIT MANAGEMENT



### KIDNEY CARE BENEFIT MANAGEMENT



### SURGERY BENEFIT MANAGEMENT



### INSURANCE MARKETING / DISTRIBUTION



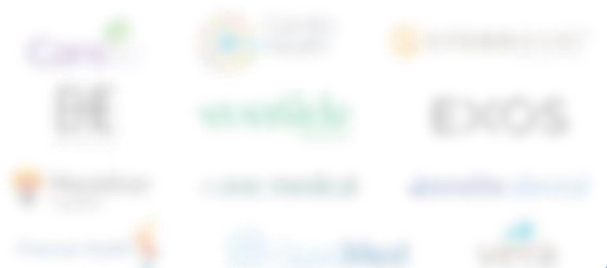
### CAPTIVE / NETWORK SERVICES



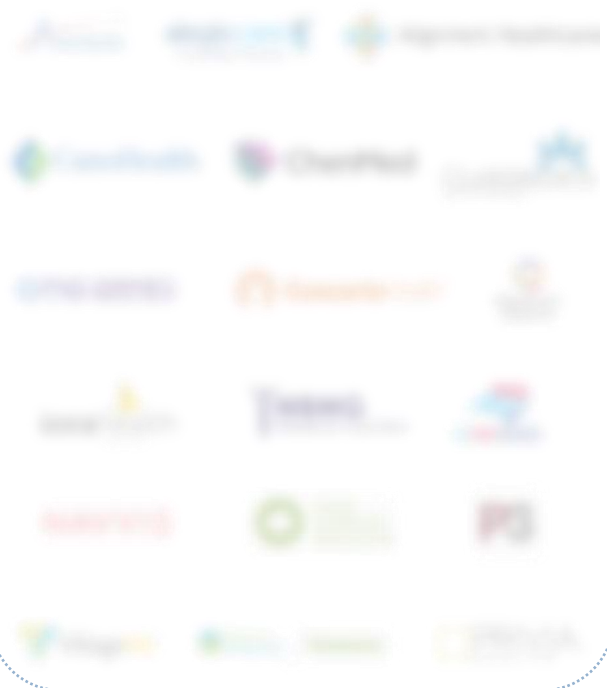
## DIRECT-TO-PAYOR PROVIDER SERVICES

- ✓ Population health management
- ✓ Patient engagement services

### EMPLOYER ON-SITE / NEAR-SITE HEALTH SERVICES



### MEDICARE ADVANTAGE & MEDICAID-FOCUSED CARE PROVIDERS



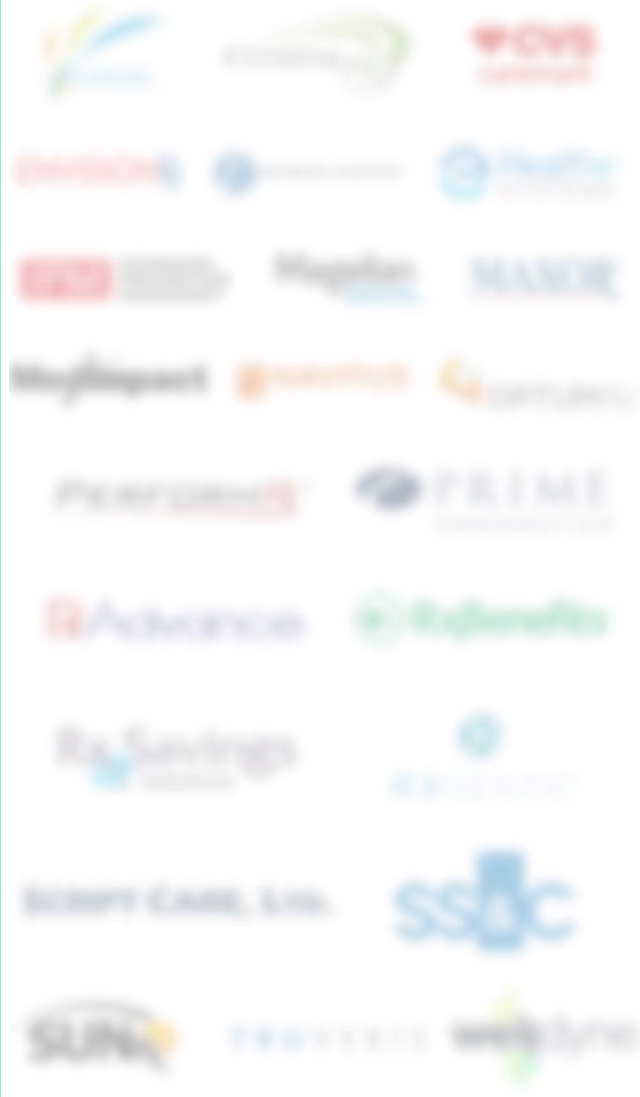
# Payor Services – Landscape (cont.)

TO VIEW FULL MARKET MAP  
PLEASE CONTACT:

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## PHARMACY BENEFIT MANAGERS

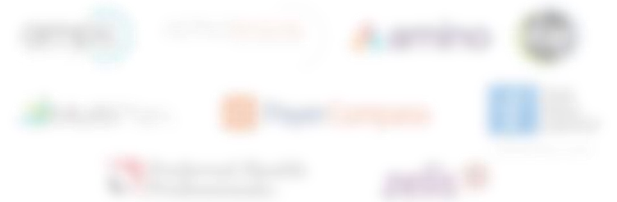
✓ Outsourced administrators of drug benefit programs



## COST CONTAINMENT AND VALUE BASED CARE TOOLS

✓ Outsourced providers of management services / software related to controlling healthcare spend or improving member experience

### REFERENCED-BASED PRICING



### RISK ADJUSTMENT / PAYMENT INTEGRITY



### MEMBER ENGAGEMENT / CARE NAVIGATION



### UTILIZATION / CASE MANAGEMENT



# Harris Williams Capabilities and Locations

Harris Williams has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at [www.harriswilliams.com/industries](http://www.harriswilliams.com/industries).



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Building Products  
& Materials



Consumer



Business Services



Energy, Power  
& Infrastructure



Healthcare  
& Life Sciences



Industrials



Specialty  
Distribution



Technology, Media  
& Telecom



Transportation  
& Logistics

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# Sources and Disclosures

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## Sources

1. CMS.
2. CapIQ.
3. PitchBook.

## Disclosures

Investment banking services are provided by Harris Williams LLC (“Harris Williams”). Harris Williams is a registered broker-dealer and member of FINRA and SIPC. Harris Williams & Co. Ltd is a private limited company incorporated under English law with its registered office at 8th Floor, 20 Farringdon Street, London EC4A 4AB, UK, registered with the Registrar of Companies for England and Wales, registration number 07078852. Harris Williams & Co. Ltd is authorized and regulated by the Financial Conduct Authority. Harris Williams & Co. Corporate Finance Advisors GmbH is registered in the commercial register of the local court of Frankfurt am Main, Germany, under HRB 107540. The registered address is Bockenheimer Landstrasse 33-35, 60325 Frankfurt am Main, Germany (email address: [hwgermany@harriswilliams.com](mailto:hwgermany@harriswilliams.com)). Geschäftsführers/Directors: Jeffery H. Perkins, Paul Poggi, VAT No. DE321666994. Harris Williams is a trade name under which Harris Williams LLC, Harris Williams & Co. Ltd and Harris Williams & Co. Corporate Finance Advisors GmbH conduct business.

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