



Q4 2016 M&A Update

RCM, Healthcare IT, Data, and Analytics

There were 205 Health IT M&A transactions in 2016, slightly lower than the 219 transactions in 2015. Practice-focused companies were involved in more than half of the transactions in 2016, which is followed by consumer-focused companies who had 74 transactions. The year started off strong with numerous transactions announced in early January. The chart above demonstrates a few notable transactions in Q4 of 2016 and early 2017.

Acquirer	Seller	\$ MM
Blackstone Group LP	Team Health Holdings	3,200
McKesson Corp.	CoverMyMeds LLC	1,100
Hill-Rom Holdings, Inc.	Mortara Instrument	330
Evolut Health, Inc.	Valence Health	247
Wolters Kluwer Health	Emmi Solutions	170

Trump Care vs Obama Care

After years of unfilled promises to repeal the Affordable Care Act/ObamaCare health reforms, the GOP is in a position in 2017 to deliver on its promises. With control of both Houses of Congress, and the White House, the Republicans will have a relatively clear field to roll back the ObamaCare program and restructure the financing of health care services.

Medicaid

Perhaps the most “successful” portion of the ACA, was the dramatic expansion of the Medicaid program, that was accomplished by raising the eligibility for adults to individuals who are earning 138% of the federal poverty line. Thirty-one states have agreed to expand their Medicaid programs to the new eligibility threshold. However, many of those states did so because the ACA provided that the federal government would pay for all expenses for the additional lives until 2017. This year, the federal share of the Medicaid “match” will fall to 95% of the cost of the expansion and it will continue to decline in the future.

We do **not** expect that the Congress will add additional funds to the enhanced matching program this year. That means many states will be facing a **substantial** budget shortfall due to their expanded Medicaid programs beginning by the last quarter of 2017.

Commercial Health Insurance Markets

For the first time in history, the ACA added a significant federal overlay of regulations to the commercial health insurance market that had been almost exclusively governed by state laws. Many of the provisions in the ACA have been controversial and have added significantly to the cost of health insurance while, simultaneously, making it less available. In addition, Americans were mandated to have “complying coverage” under the ACA that, in many cases, they could not afford.

One of the most egregious provisions of the ACA in this area was the set of requirements that forced all insurance policies to adopt ACA mandated provisions, such as the “essential health care benefits” package of coverage. Other provisions, such as the adoption of restrictive community rating rules and bans on traditional provisions such as “pre-existing conditions” also added substantially to the cost of the ACA “conforming” insurance policies.



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We expect that any GOP plan in 2017, will remove the straight-jacket currently placed on the commercial health insurance market and allow for the return of a broader variety of health insurance plans that more closely meet the needs of the individuals purchasing coverage. In addition, we can expect that the current “mandate” in federal law that all individuals be forced to purchase “complying” coverage will be repealed.

Beyond those basic changes, it is very difficult to predict the final product that will likely become law by the time the Congressional Summer break begins in June.

Selected RCM and Health IT Transactions in Q4 2016

01/25/2017 – **McKesson Corp.** (NYSE: MCK) in CA, a, has announced its acquisition of **CoverMyMeds LLC** in Columbus, OH, a tech enabled company known to automate prescription drug approvals, for \$1.1 billion.

01/20/2017 – **LED Medical Diagnostics Inc.** in Canada, has entered into a definitive purchase agreement to acquire 100% of **Apteryx, Inc.** in OH, a software development company with well-established applications for the dental imaging market with strong brand recognition across the dental industry, including the U.S. armed forces, U.S. Government agencies and Dental Universities.

01/19/2017 – **AssistRx** in Orlando, FL, an enterprise technology platform focused on simplifying the patient journey for specialty and highly-managed medications, has announced its acquisition of **Caret** in MI, a web-based platform created to align, streamline and unite the complex ecosystem of therapy-specific care management.

01/19/2017 – **GetWellNetwork®, Inc.** in MD, an Interactive Patient Care™ solutions, has announced the acquisition of **Seamless Medical Systems** in NM, a developer of a mobile and web-based patient engagement.

01/18/2017 – **Aprima Medical Software** in TX, a leading provider of innovative electronic health records, practice management and

revenue cycle management solutions for medical practices, announced the acquisition of former reseller **Healthcare Data Solutions** of Coral Cables in FL, a provider of health IT services and solutions that enables providers to select solutions that best fit the needs of their practice.

01/17/2017 – **Auxilio, Inc.** (OTCQB: AUXOD) in CA, a provider of complete document workflow solutions and IT security services for the healthcare industry, announced its acquisition of **CynergisTek** in TX, an industry leader in health information privacy, compliance and cybersecurity consulting, for initial consideration of approximately \$26.8 million in combined cash, stock, and seller debt. Additional “earn outs” may be paid of up to \$7.5 million over the next five years based on certain financial criteria being met.

01/17/2017 – **National General Holdings Corp.** (Nasdaq:NGHC) in New York, has announced its acquisition of **Quotit** in CA, an application service provider for the health insurance and employee benefits industry, and **HealthCompare** in CA, a provider of call center operation as well as a consumer facing website that connects individuals, families and seniors with major medical or Medicare related coverage, from **The Word & Brown Companies**.

01/17/2017 – **Jellyvision** in Chicago, maker of industry-leading employee communications platform ALEX®, has entered into an asset



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purchase agreement with **FlexMinder** in WA, a developer of automate healthcare reimbursement process for third-party administrators, for their participants to manage medical spending.

01/12/2017 – **Formativ Health** in NY, a joint venture of Northwell Health and Pamplona Capital, was the acquirer. **Praesidian Capital** in NY, a provider of senior and subordinated capital for small and mid-sized businesses, announced that it has successfully exited its \$20.4 million investment in **Etransmedia Technology, Inc.**, a leading healthcare information technology company based in Troy, NY.

01/12/2017 – **Sarah Cannon** in TN, the Cancer Institute of Hospital Corporation of America, has announced that **Genospace, LLC** in MA, a cloud-based software company focused on advancing personalized medicine, will merge with its organization and become a wholly-owned subsidiary.

01/11/2017 – **DirectPath** in AL, a health benefits advisory firm, announced that it has acquired **Patient Careb** in MN, a national health advocacy and transparency company.

01/11/2017 - **TRIOSE, Inc.** in PA, a leader in healthcare logistics management, has completed its merger with **Predicata** in RI, an innovative data analytic solutions company that helps healthcare clients reduce supply cost, mitigate risk, and improve quality of care.

01/11/2017 - **Bolder Healthcare Solutions** in KY, a revenue cycle management company, announced the acquisition of **Business Dynamics** in NY, a provider in revenue cycle management, specializing in spine coding and reimbursement.

01/10/2017 – **Fibit** (NYSE: FIT), a fitness wearable device company, has acquired **Vector**

Watch in Europe, a developer of wearable technology.

01/10/2017 – **Hill-Rom Holdings, Inc.** in Chicago, IL, a provider of medical technology company, announced that it has signed a definitive agreement to acquire **Mortara Instrument** in MN, a provider of diagnostic cardiology and patient monitoring solutions, technologies and devices, for \$330 million in cash.

01/10/2017 – **DirectPath** in AL, the industry leader in employee health care engagement and compliance, announced that it has signed an agreement to acquire **Patient Care** in MN, a health care advocacy and transparency company.

01/06/2017 – **Invitae Corporation** (NYSE: NVT) in CA, a genetic information companies, announced its acquisition of **AltaVoice** in CA, a privately owned, patient-centered data company with a global platform for collecting, curating, coordinating, and delivering safeguarded data from patients and clinicians.

01/04/2017 – **Castlight Health, Inc.** (NYSE: CSLT) in CA, a provider of healthcare transparency solutions, and **Jiff** in the same state, a provider of enterprise health benefits platform, announced their agreement to come together to form a single company.

01/03/2017 – **Aviacode** in UT, a provider of technology-enabled medical coding solutions, has acquired **Revant Solutions** in FL, a provider of medical coding, auditing, revenue cycle consulting, education, and ICD-10 transition services.

12/22/2016 – **Apollo Medical Holdings, Inc.** (OTC: AMEH) in CA, an integrated population health management company, and **Network**



Q4 2016 M&A Update

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Medical Management, Inc., one of the largest healthcare Management Services Organizations in the U.S., has announced that they have signed a definitive merger agreement pursuant to which the companies will combine in a stock-for-stock merger transaction.

12/20/2016 – **TPG Capital** in CA, the global private equity firm, has entered into a definitive agreement to acquire **Mediware Information Systems, Inc.** in KS, a software for healthcare and human services providers from private equity firm **Thoma Bravo** in IL.

12/19/2016 – **ManTech International Corporation** (Nasdaq:MANT) in VA, a provider of technologies and solutions for U.S. government customers, has acquired **Edaptive Systems** in MD, a provider of innovative IT solutions primarily to federal health agencies, with a significant focus on the Centers for CMS.

12/16/2016 – **Indegene** in NJ, a global healthcare solutions provider, has announced the acquisition of **Wincere Inc.** in CA, a provider of clinical research services across all clinical trial phases by using its patent-pending technology to support clinical trial startup, conduct, and submission activities.

12/14/2016 – **Omnicell, Inc.** (NASDAQ: OMCL) in CA, a leading provider of medication and supply management solutions and adherence tools to healthcare systems and pharmacies, announced the completed acquisition of **Ateb, Inc.** in NC, together with its Canadian affiliate, **Ateb Canada Ltd.**, a provider of pharmacy-based patient care solutions and medication synchronization to independent and chain pharmacies.

12/08/2016 – **ERT** in PA, a provider of high-quality patient data collection solutions for use in clinical drug development, announced the acquisition of **Exco InTouch** in UK, a provider of patient engagement, data capture and digital health solutions.

11/07/2016 – **GTCR** in Chicago, IL, a private equity firm, has acquired **RevSpring, Inc** in MI, a provider of multi-channel billing and communications solutions to the healthcare and financial services industries.

10/31/2016 – **Blackstone Group LP**, a private equity firm, has reached a deal to purchase **Team Health Holdings Inc.** (NYSE: TMH) in TN, a hospital staffing firm, for about \$3.2 billion.

10/19/2016 – **TrendShift, LLC** in CA, a SaaS-based Decision Analytics and Risk Assessment company, has acquired **Health Data Intelligence, LLC** in Columbus, OH, a SaaS-based healthcare analytics and population health management company.

10/04/2016 – **Wolters Kluwer Health** in Netherlands, a clinical solution for patient engagement market, has signed an agreement to acquire **Emmi Solutions** in IL, a provider of comprehensive and interactive patient engagement solutions, for \$170 million in cash.

10/03/2016 – **Evolent Health, Inc.** (NYSE: EVH) in Washington DC, a company providing an integrated value-based care platform to the nation's leading health systems and physician groups, announced the the completion of its acquisition of **Valence Health** in Chicago, a value based payment models provider, for about \$247 million.



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Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (12/31/16)	% Change Prior Qtr	% Change Prior Yr	52 Week High	52 Week Low	Market Cap (\$M)	EPS	P/E	Revenue (\$M)	EV (\$M)	EBITDA (\$M)	EV/Revenue	EV/EBITDA
Accretive Health, Inc.	ACHI	2.25	(7.8%)	(29.7%)	2.78	1.47	240	0.63	3.6	555	25	304.5	0.0x	0.1x
Allscripts Healthcare Solutions, Inc.	MDRX	10.21	(22.5%)	(33.6%)	15.17	9.80	2,170	(0.11)	N/A	1,470	3,330	132.5	2.3x	25.1x
athenahealth, Inc	ATHN	105.17	(16.6%)	(34.7%)	152.17	90.11	4,780	0.47	223.8	1,050	4,940	88.9	4.7x	55.6x
Cerner Corporation	CERN	47.37	(23.3%)	(21.0%)	67.50	47.01	17,430	1.89	25.1	4,630	17,310	1,290.0	3.7x	13.4x
Computer Programs & Systems Inc.	CPSI	23.60	(9.4%)	(52.6%)	59.16	18.25	311	0.41	57.6	247	459	36.5	1.9x	12.6x
eHealth, Inc.	EHTH	10.65	(5.0%)	6.7%	15.14	6.38	228	0.50	21.3	193	161	9.6	0.8x	16.8x
HealthStream, Inc.	HSTM	25.05	(9.2%)	13.9%	28.84	18.67	762	0.18	139.2	223	661	23.5	3.0x	28.1x
HMS Holdings Corp.	HMSY	18.16	(17.3%)	47.2%	23.06	11.00	1,570	0.41	44.3	496	1,600	92.6	3.2x	17.3x
McKesson Corporation	MCK	140.45	(15.8%)	(28.8%)	199.43	114.53	33,280	8.34	16.8	194,270	35,920	4,330.0	0.2x	8.3x
Medidata Solutions Inc.	MDSO	50.37	(9.7%)	2.2%	57.85	30.22	3,040	0.44	114.5	438	2,870	56.2	6.6x	51.1x
Quality Systems, Inc.	QSII	13.15	16.2%	(18.4%)	17.28	10.61	853	(0.02)	N/A	494	875	56.8	1.8x	15.4x
Streamline Health Solutions Inc.	STRM	1.25	(32.1%)	(11.3%)	2.11	1.08	26	(0.36)	N/A	27	29	(2.7)	1.1x	N/A
The Advisory Board Company	ABCO	33.25	(25.7%)	(33.0%)	48.86	18.87	1,680	(1.22)	N/A	805	2,190	116.4	2.7x	18.8x
Medical Transcription Billing, Corp.	MTBC	0.73	(22.9%)	(39.6%)	1.33	0.64	8	(0.50)	N/A	21	10	(0.9)	0.5x	N/A
Average			(14.4%)	(16.6%)									2.3x	15.6x*

*Excluding Outliers

The recovery from a global industrial recession during 2016 set the stage for rising bond yields and inflation expectations in the second half of the year. With Trump winning the presidential election, the market is betting big on the pro-growth change in U.S. economy policies. The uncertainties under a new president may spur volatility, but the solid U.S. and global expansions provide a positive context to start the year. The Dow Jones Industrial Average improved 7.9%, the S&P 500 increased 3.6%, while the NASDAQ gained by 6.3 %. In contrast, The RCM and healthcare IT sectors were heading toward a different direction. As seen, the companies in our index lost an average of 14.4% during the period.

The RCM and Healthcare IT index is held back by the weak performances from **Streamline Health Solutions Inc., The Advisory Board Company, and Cerner Corporation**, which decreased 32.1%, 25.7%, and 23.3%, respectively.

Streamline Health Solutions Inc. reported revenue of \$6.6 million for Q3, down approximately 10.0% compared to \$7.4 million in Q2, but up about 4.0% when excluding the \$1.0 million in perpetual license revenue in that quarter. Revenue was down about 7.0% as compared to \$7.2 million in the same quarter a year ago. Adjusted EBITDA for Q3 was about \$0.2 million, down substantially from \$1.6 million in Q2, and \$1.7 million a year ago due to the acquisition of Opportune IT during the quarter. Investors were dissatisfied with the results and bid down the stock by 35.0% for the quarter.

The Advisory Board Company reported \$200.5 million in revenue for Q3, which was flat compared to the same quarter a year ago. Net income was \$37.5 million, or \$0.93 per diluted share, compared to net income of \$0.7 million, or \$0.02 per diluted share, for Q3 in 2015. Contract value increased 3.4% to \$786.2 million as of the end of Q3, compared to \$760.3 million for the same day a year ago. Adjusted EBITDA was \$41.0 million, down from \$43.7 million for Q3 of 2015. Adjusted earnings per share was \$0.28 for the quarter, compared to \$0.33 for the same period last year. The mixed performance from the company did not impress the investors, resulting in 25.7% drop of the stock price in Q4.

Cerner Corporation posted adjusted earnings of \$0.59 per share, up 9.3% year over year on revenues of \$1.18 billion, up 5.0% year over year. These figures fell behind Wall Street's expectations of \$0.60 per share on revenues of \$1.26 billion. Further, Cerner's guidance also fell short of the consensus, which was attributed in large to reduced hardware revenues. The unexpected results dragged the stock down by 23.3% in Q4.



Lawrence, Evans & Co., LLC provides investment banking, finance, and consulting services for small and middle market healthcare providers and services companies. We are very active on the buy-side and the sell-side of Revenue Cycle Management and related transactions.

SERVICES

<p>▪ Investment Banking & Corporate Finance</p>	<ul style="list-style-type: none"> -Private Company Sales -Division/Subsidiary Divestitures -Distressed Transaction Advisory -Acquisition Advisory Services - Private Market Financings - LBO's and Recapitalizations
<p>▪ Turnaround & Restructuring</p>	<ul style="list-style-type: none"> -Turnaround Management -Debt Restructuring/Refinancing -Orderly Liquidations - Chief Restructuring Officer (CRO) - Bankruptcy Planning/ 363 Sales - Receivership/Trustee
<p>▪ Consulting</p>	<ul style="list-style-type: none"> -Strategic Options Analysis -Valuations & Financial Assessments -Interim CEO/CFO - Strategic Planning - Organizational Reviews - Expert Testimony & Opinions

REPRESENTED TRANSACTIONS

<p>Multi Specialty Medical Billing Company Midwest 2013</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p>Healthcare Data Analytics and Audit Compliance Company 2013</p> <p><i>Strategic Options Analysis Capital Raise</i></p> <p> Acted as advisor</p>	<p>Medical Billing and Technology Company 2014</p> <p>\$8,000,000 <i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>
<p> 2012</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p> 2015</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p>Revenue Cycle Management Company</p> <p><i>Strategic Options Analysis</i></p> <p> Acted as advisor</p>

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