



# Q4 2015 M&A Update

## RCM, Healthcare IT, Data, and Analytics

### M&A Overview

There were 219 M&A transactions in the Healthcare IT sector in 2015 compared to 220 transactions in 2014, with 27 companies making multiple transactions during the year. Mobile Health Apps had the most M&A activities with 22, followed by Practice Management Solutions with 18 transactions.

### Notable Transactions in Q4 2015

In early November, **Pamplona Capital Management** proposed to purchase **MedAssets, Inc.** (NASDAQ: MDAS) for an enterprise value of approximately \$2.7 billion. **Omniceil, Inc.** (NASDAQ: OMCL), a provider of medication and

Acquirer	Seller	\$ MM
Pamplona Capital Management	MedAssets, Inc.	2,700
Omicell, Inc.	Aesynt Incorporated	275
Fossil Group, Inc.	Misfit	260
Computer Programs and Systems, Inc.	Healthland Holding Inc.	250
Quality Systems, Inc.	HealthFusion	165

supply management solutions to healthcare systems, announced that it has entered into a definitive agreement to acquire **Aesynt Incorporated**, a provider of pharmacy automation and information management tools that enables health systems to reduce cost and improve patient safety, for about \$275 million. **Fossil Group, Inc.** (NASDAQ: FOSL), a design, marketing and distribution company that specializes in consumer lifestyle and fashion accessories, announced that it has entered into a definitive agreement to acquire **Misfit**, a developer of wearable sensor products and services for wellness and medical applications, for about \$260 million. **Computer Programs and Systems, Inc.** (NASDAQ: CPSI) in AL, a leading provider of healthcare information solutions to rural and community hospitals, has announced its acquisition of **Healthland Holding Inc.** and its affiliates in MN, a provider of electronic health records and clinical information management solutions, for approximately \$250 million. **Quality Systems, Inc.** (NASDAQ: QSII) in CA, a provider of practice management and electronic health records, has completed the acquisition of **HealthFusion** in CA, a developer of cloud-based EHRs for physician practices, for \$165 million plus the potential contingent consideration of up to \$25 million.

### Healthcare Database Discussion

Big data has been a major topic in many industries recently. Companies have been gathering data from its customers to guide their future plans and improve quality of their services and products. Not surprisingly, the healthcare industry is also having high hopes in big data; however, it has been facing multiple challenges in converting large and diverse datasets into practical insights. In 2016, it is expected that the health industry will continue to search new ways to utilize the data on hand to reduce cost, increase efficiency, and improve patient satisfaction.

Traditional relational databases, such as electronic health records (EHR) systems, organize data into columns, rows and tables, forcing information into predetermined categories. While these databases are ideal for information that is easily structured, they cannot handle information such as clinician notes, transcripts and other unstructured data as easily. According to an eHealth Initiative Survey, Only 17% of healthcare providers have been able to integrate population health analytics into their EHR systems.

Newer, so-called non-relational databases allow the users to bypass the rigid structure and analyze many different forms of data together. For instance, take two female consumers, both age 57, with the same



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chronic condition—asthma. In a relational database, these two women may appear to be virtually the same: female, 57, asthma. And yet, digging deeper reveals that one is a triathlete who only uses her rescue inhaler before training, while the other uses hers during hay fever season—insights buried in handwritten physician notes that had been converted to PDFs.

New database tools could help clinicians distinguish between these two women, offering insights to drug makers about how the inhalers are being used, to pharmacies about these patients' unique buying patterns, and to the patients' clinicians about how best to treat them.

These databases already are being used by the Patient-Centered Outcomes Research Institute (PCORI) to combine and analyze consumer health data with the goal of personalizing treatment and advancing medical knowledge. But consumers must be willing to share their private information to power these new capabilities. A survey found that most consumers are willing to share their health data with a doctor (88%) or local health system (78%), but fewer are willing to share this information with a drug company (53%).



### Implications:

- New databases would help boost the value of existing EHR systems. As known, healthcare providers have made significant investments in EHR systems, and may be hesitant to spend on another system. EHR systems cost between \$15,000 and \$70,000 per provider to purchase. By enriching the existing systems with more flexible data modeling and a range of analytical techniques can increase the value of existing technology by extracting new insights from stored data.
- Cut costs and avoid mistakes. Pharmaceutical companies should consider using “data lakes,” large unstructured data repositories, for specific functions such as drug development, prevention of duplicative experiments, prediction of drug performance in clinical trials and maximization of efficiency in the supply chain.
- Patient participation is critical. Educating patients about data sharing and how health information is being used to improve care delivery and treatment decisions will be an important step in addressing privacy concerns. According to an HRI survey, many consumers are willing to share health data, especially if they stand to benefit. Part of this education effort involves explaining how care decisions based on historical data will give patients more personalized paths to better health outcomes.

Source: PwC



## *Q4 2015 M&A Update* *RCM, Healthcare IT, Data, and Analytics*

### Selected RCM and Health IT Transactions in Q4 2015

01/09/2016 – **UltraLinq Healthcare** in NY, a provider of a cloud-based system that manages and archives medical images, has acquired **Cardiostream** in GA, a provider of web-based software-as-a-service cloud picture archiving and communication system that provides HIPPA compliant image, reporting and clinical review.

01/07/2016 – **Rizk Ventures**, a privately held investment firm in NY, has announced the acquisition of **Workforce Prescriptions** in PA, a provider of software-as-a-service solutions to the healthcare industry with a focus on assisting hospitals in significantly decreasing costs and improving outcomes without reducing staff. The company will be renamed **RV Healthcare Analytics**.

01/05/2015 – **Thoma Bravo, LLC** in CA, a leading private equity investment firm, has announced its acquisition of **Infogix, Inc.** in IL, a provider of transaction controls monitoring and predictive analytics for enterprise customers across healthcare and other industries, from **H.I.G Capital**.

01/05/2016 – **NantWorks** and its majority-owned subsidiary **NantHealth, LLC** in CA, a cloud-based information technology provider combining genomic science and big data to transform healthcare, has announced the acquisition of **NaviNet, Inc.** in MA, a leading healthcare technology company of payer-provider collaboration solutions.

01/04/2016 – **Navigant** (NYSE: NCI) in IL, a provider of consulting services, has announced the acquisition of **McKinnis Consulting Services** in IL, a firm that provides revenue cycle assessment, strategy, and optimization assistance for healthcare providers.

01/04/2016 – **Doctors Administrative Solutions** in FL, a provider of physician practice consulting services, has acquired **ConXit Technology Group** in WV, a provider of medical practice software, services and support to physicians in ambulatory care settings.

12/24/2015 – An affiliate company of **Versata Enterprises, Inc.** in TX, a leading provider of enterprise software solutions, has announced the acquisition of **Compressus, Inc.** in Washington DC, a transformational leader in interoperability and workflow solutions for the rapidly growing healthcare IT market.

12/22/2015 – **Invoice Cloud** in MA, a provider of electronic bill presentation with payment solutions, has acquired the majority of **ImageVision.net** in PA, a developer of HealthPay24, a software solution dedicated to processing healthcare point-of-service payments.

12/21/2015 – **Anytime Fitness** in MN, a gym franchise, has announced its acquisition of **PumpOne**, a provider of mobile personal training services featuring exercise image and video library.

12/18/2015 – **NaviHealth** in TN, a provider of post-acute care benefit manager, has acquired **RightCare Solutions** in PA, a provider of discharge decision support platform to reduce readmissions by flagging patients at risk for readmissions when they are admitted to the hospital.

12/18/2015 – **Equian** in IN, a provider of payment integrity platform to facilitate and reconcile healthcare payments and a portfolio company of **Great Point Partners**, has announced the merger with **Trover Solutions** in KY, a provider of cost containment services and software to the private healthcare payer and



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property & casualty industries and a portfolio company of **ABRY Partners**.

12/10/2015 – **MatrixCare®** in MN, a provider of the industry leading EHR for long-term care and senior living providers, has entered into a definitive agreement to acquire **AOD Software** in FL, a provider of cloud-based home healthcare software solution.

12/07/2015 – **iMedX** in GA, A provider of integrated medical document management and health information solutions, has completed the acquisition of **G2N** in MO, a provider of medical coding and consulting services.

12/03/2015 – **Welltok** in CO, a leading consumer health enterprise platform as a service company, has acquired **Silverlink** in MA, a leading healthcare consumer communications company. To support part of the acquisition, ongoing product development and market expansion, Welltok secured \$45 million in funding from venture firms Georgian Partners, EDBI\* and Flare Capital Partners, as well as a number of existing institutional and strategic investors.

12/02/2015 – **Indegene** in NJ, a leader in global healthcare solutions for life sciences companies, payers and providers, has announced the acquisition of **SmartCare®** in MO, a population health analytics platform from CT-based **Vantage Point, Inc.**

12/01/2015 – **ScribeAmerica** in FL, a scribe training and management company, has acquired CA-based **Essia Health**, a provider of medical scribe management services.

11/12/2015 – **ALPHAEON** in CA, a lifestyle healthcare company that develops and markets products and services to promote patient wellness, beauty, and performance, has announced its plan to acquire **Integrity Digital**

**Solutions** in TX, a provider of EMR software for ophthalmology and optometry.

11/10/2015 – **PracticeMax** in AZ, a national provider of revenue cycle, information technology, satisfaction research and practice management services, has announced the acquisition of **Medical Management Corporation of America** in NY, a medical billing company that provides revenue cycle management solutions to medical practices which drive efficiency, cash flow and profitability.

11/09/2015 – **DaVincian Healthcare** in TX, a leading innovator in the mobile health and wellness industry, has announced the completion of its acquisition of **Gulf-HRA** in United Arab Emirates, a healthcare financial services and analytics company. The acquisition will enable DaVincian to expand its capabilities in telehealth, virtual personal health records and artificial general intelligence.

11/09/2015 – **Medical Transcription Billing, Corp.** in NJ, a healthcare information technology company, announced the closing of its previously announced public offering of 11% Series A Cumulative Redeemable Perpetual Preferred Stock at a price of \$25.00 per share, including the exercise by the underwriters of their option to purchase an additional 27,616 shares of Series A Preferred Stock.

11/09/2015 – **GE Healthcare** (NYSE: GE) in CT, a provider of medical technologies and services, has announced the acquisition of **Camden Group** in CA, a provider of healthcare consulting services to enable organizational, clinical, and operation transformation to respond to the rapidly changing healthcare environment.



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11/05/2015 – **The Chartis Group**, an advisory firm dedicated to the healthcare industry, has acquired **iVantage Health Analytics** in ME, a provider of interactive tools for dynamic market intelligence, strategic planning, financial, and clinical performance improvement analytics and benchmarking.

11/04/2015 – **Genoa** in WA, a provider of behavioral health and long-term care pharmacy services, has acquired **IDocWay**, a web-based video-conferencing technology that enables real-time interaction between a provider and a patient who are in desperate locations.

11/03/2015 – **SCI Solutions** in WA, a leader in referral management and patient scheduling, has announced the acquisition of **Clarity Health** in WA, a provider of software-as-a-service solution, that delivers insurance authorization and referral management services to health systems and independent providers.

11/02/2015 – **West Corporation** (NASDAQ: WSTC) in NE, a provider of technology-enabled communication services, has acquired **ClientTell, Inc.** in GA, a cloud-based notification platform that provides automated patient appointment reminders for the healthcare service industry.

11/03/2015 – **Health Carousel** in OH, a leading provider of workforce solutions for healthcare, has announced the acquisition of **Next Medical Staffing** in OH, a health care staffing company, providing nurse travel staffing, locum tenens staffing services for registered nurses, physicians, advanced practice professionals, and allied healthcare professionals.

11/02/2015 – **Encoda LLC** in PA, a developer of the cloud-based Encoda BackOffice revenue cycle management and analytics software used

nationally by physician practices to improve collections, minimize denied claims, and enhance the functionality of legacy medical billing software, has acquired **Strategic Management Consultants** in GA, a provider of revenue cycle management consulting and services to improve financial performance in medical practices.

10/29/2015 – **Kinnser Software** in TX, a national software leader in clinical and business solutions for post-acute care businesses, has announced the acquisition of **PPS Plus** in MS, a national leader in clinical analysis and benchmarking solutions for home health agencies.

10/22/2015 – **QuadraMed Affinity Corporation** in VA, a provider of healthcare technologies and services, has announced the acquisition of hospital solutions division of **NextGen Healthcare**, a provider of EHR, financial, and HIE solutions for hospitals, health systems, physician practices, and other healthcare organizations. The seller is a subsidiary of **Quality Systems, Inc.** (NASDAQ: QSII).

10/22/2015 – **Netsmart Technologies** in KS, a provider of post-acute electronic health records (EHRs) and technology for health and human services providers, has announced the acquisition of **Lavender & Wyatt Systems, Inc.** in AR, a privately-held provider of EHRs and related services for behavioral health provider organizations.

10/15/2015 – **Aptean** in GA, a provider of enterprise software solutions, announced the completion of its acquisition of **Medworxx Solutions** in Canada, a provider of clinical patient flow, compliance and education solutions.





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## RCM, Healthcare IT and Data

### Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (12/31/15)	% 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	3.20	56.1%	(53.4%)	6.60	1.77	258	(1.12)	N/A	96	130	(146.5)	1.4x	N/A
Allscripts Healthcare Solutions, Inc.	MDRX	15.38	24.0%	20.4%	15.78	11.33	2,740	(0.11)	N/A	1,380	3,260	98.2	2.4x	33.2x
athenahealth, Inc	ATHN	160.97	20.7%	10.6%	170.42	110.68	5,950	0.38	423.6	880	6,180	68.3	7.0x	90.5x
Cerner Corporation	CERN	59.96	0.0%	(7.2%)	75.72	55.82	20,070	1.48	40.5	4,100	20,120	1,130.0	4.9x	17.8x
Computer Programs & Systems Inc.	CPSI	49.75	18.1%	(17.7%)	60.30	36.04	563	1.92	25.9	184	523	35.3	2.8x	14.8x
eHealth, Inc.	EHTH	9.98	(19.4%)	(59.7%)	10.14	8.81	183	(0.66)	N/A	184	116	5.0	0.6x	23.4x
HealthStream, Inc.	HSTM	22.00	0.9%	(24.5%)	32.41	19.29	628	0.32	68.8	198	470	32.4	2.4x	14.5x
HMS Holdings Corp.	HMSY	12.34	40.7%	(41.2%)	21.88	8.11	979	0.15	82.3	458	1,010	84.9	2.2x	11.9x
McKesson Corporation	MCK	197.23	6.6%	(4.9%)	243.61	156.31	37,070	7.64	25.8	187,720	40,350	4,210.0	0.2x	9.6x
Medidata Solutions Inc.	MDSO	49.29	17.1%	3.9%	61.31	35.81	2,330	0.21	234.7	383	2,280	40.1	6.0x	56.8x
Quality Systems, Inc.	QSII	16.12	29.2%	3.7%	18.75	12.01	1,020	0.53	30.4	499	915	57.2	1.8x	16.0x
Streamline Health Solutions Inc.	STRM	1.41	(38.4%)	(65.6%)	4.25	1.02	30	(0.48)	N/A	29	30	(5.1)	1.0x	N/A
The Advisory Board Company	ABCO	49.61	8.9%	2.0%	60.38	40.70	1,900	(0.67)	N/A	722	2,410	76.2	3.3x	31.6x
Medical Transcription Billing, Corp.	MTBC	1.20	(33.7%)	(45.5%)	3.22	0.88	11	(0.50)	N/A	25	14	(1.7)	0.6x	N/A
<b>Average</b>			<b>9.3%</b>	<b>(19.9%)</b>									<b>2.6x</b>	<b>17.6x*</b>

\*Excluding Outliers

The Federal Reserve finally raised interest rate at the end of 2015 while China and Europe were still maintaining their expansive policies to aid growth. Commodity prices continue to fall as the gap between supply and demand widens. Though the U.S. economy remains solid in its mid-cycle expansion, the investors became increasingly cautious as the concerns of global slowdown dominated the market in the final quarter of 2015. The Dow Jones Industrial Average improved 5.8%, the S&P 500 increased 4.8%, while the NASDAQ gained by 6.4%. The rally in the last quarter is merely a short-term recovery from a chaotic Q3. It is expected that volatility might stay elevated going into 2016. As seen, the RCM and Healthcare IT sector has also recovered as our index increased 9.3% in Q4. However, it dropped nearly 7% during the first two-week trading period in 2016 while the concerns over crashing commodity prices and global slowdown dominate.

The RCM and Healthcare IT index is supported by the strong performances from **Accretive Health, Inc.**, **HMS Holdings Corp.**, and **Quality Systems, Inc.**, which increased 56.1%, 40.7%, and 29.2%, respectively.

**Accretive Health, Inc.** filed a form 8-K to disclose its entry into a material definitive agreement to sell \$200 million of 8.0% Series A Convertible Preferred Stock and a warrant to acquire up to 60 million of common stock to a partnership owned by Ascension Health Alliance and TowerBrook Capital Partners. This fund will primarily serve as growth capital for the company. After the disclosure, the stock price increased sharply, finishing the quarter with a 56.1% gain.

**HMS Holdings Corp.** was down 48.9% for Q3 due to the loss of its major customer. Though the company missed the Street's expectation again in Q3, the huge drop of the stock price has attracted smart money's attention. Prior to the end of Q3, only 11 hedge funds are bullish on this stock. This number increased to 25 in Q4, representing a surge of 127% from the previous quarter. The stock certainly performed well in Q4, gaining 40.7%.

**Quality Systems, Inc.** reported earnings per share of 20 cents, beating the Street's expectation. On a year-over-year basis, earnings surged 66.7% on strong revenue growth and margin expansion. Revenue increased about 4% to \$125.4 million on a year-over-year basis. The impressive growth was driven by a 19% improvement in revenue cycle management business, 28% growth in recurring subscription services, and 10.8% increase in software, hardware and related sales. Revenue from Electronic data interchange services increases 9%, offsetting almost a 25.7% decline in professional services sales.



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

**REPRESENTED TRANSACTIONS**

<p><b>Multi Specialty Medical Billing Company</b> Midwest 2013</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p><b>Healthcare Data Analytics and Audit Compliance Company</b> 2013</p> <p><i>Strategic Options Analysis Capital Raise</i></p> <p> Acted as advisor</p>	<p><b>Medical Billing and Technology Company</b> 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><b>Revenue Cycle Management Company</b>  <i>Strategic Options Analysis</i></p> <p> Acted as advisor</p>

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