



## Shift to Value-Based Care, Technology Fuels Mergers & Acquisitions

By Katy Zillmer

From a financial and investment standpoint, 2018 is poised to deliver a healthy dose of merger and acquisition opportunities in the industry.

M&A activity in the healthcare marketplace was strong in the first half of 2017 and increased significantly compared to transactions in late 2016, according to reports from Greenberg Advisors LLC, an investment bank focused on M&A in revenue cycle management, healthcare IT, and related sectors.

At press time, Greenberg Advisors' data on activity to close out 2017 was still being tabulated, but the outlook so far shows transactions will at least keep up the pace set early last year.

Revenue cycle management (RCM) and healthcare IT mergers and acquisitions exceeded \$14.7 billion in the first half of 2017 across 66 deals, according to Greenberg Advisors LLC and its M&A Update for the first half of 2017.

(<https://www.greenberg-advisors.com/>)

The latest data show that a majority of transactions in revenue cycle management and healthcare IT were under \$25 million in enterprise value, but 30 percent of all transactions did exceed \$50 million. This is a notable increase from the second half of 2016, when 18



percent of all transactions exceeded \$50 million, according to the report.

"Healthcare was such an active segment for completed transactions," said Brian Greenberg, CEO of Greenberg Advisors LLC. "We believe this high level of interest in healthcare is driven by changes and uncertainty in the market, which create a greater level of complexity. All of this, of course, is a result of the shift to value-based care, which has sprouted new needs and new demands from providers, payers, and patients."

Value-based care connects payments to the quality of care provided and "rewards providers for efficiency and effectiveness," according to RevCycleIntelligence.com.

Examples of value-based care models for healthcare providers are available from the Centers for Medicare and Medicaid Services (<http://go.cms.gov/1jxyhoF>.)

"Value-based care has generated a tremendous amount of new opportunities, and where there are opportunities, there are investors," Greenberg said.

Corporate Advisory Solutions, ([corpadvisorysolutions.com](http://corpadvisorysolutions.com)) a strategic partner and provider of outsourced business services, also notes the influence of value-based care models on revenue cycle management.

"In Q3 2017, seven deals worth \$465 million were completed in the RCM sector," according to the company's third quarter 2017 newsletter. "The market landscape is endlessly changing as healthcare providers move towards the value-based model."

Michael Lamm, managing partner at Corporate Advisory Solutions, said overall he believes mergers and acquisitions in

*continued on page 2*

## Shift to Value-Based Care *cont. from page 1*

the healthcare sector will be robust and continue to grow in the coming year.

“We’re expecting continued consolidation from agencies in the healthcare market who are looking to expand service lines and geographic reach, as well as agencies trying to break into healthcare market for the first time,” Lamm said. “We are fully anticipating this trend to continue in 2018 at the elevated levels we experienced in 2017.”

revenue cycle management,” it reports in the third quarter newsletter. “This has driven RCM vendor consolidation, as companies look to develop comprehensive front-end systems that meet the clients’ needs and provide more efficient financial processes and real-time analytics.”

### There is an App for That

Healthcare providers are embracing technology in patient services in-house or

enhancing the patient experience and leveraging data assets to improve quality of care and financial metrics,” according to the Greenberg Advisors M&A Update. “As for services, consulting firms were most active among sellers, as providers seek help to manage the transition to value-based care, among other things.”

Twenty-eight companies have made multiple acquisitions in revenue cycle management and healthcare IT since the beginning of 2016, according to the report. The findings for the first half of 2017 also show that 48 percent of sellers in accounts receivables management include firms focused on healthcare receivables or financial institutions.

For the year ahead, Greenberg said he expects the healthcare marketplace to continue as a fast-changing market with opportunities for buyers to invest and sellers to reap the benefits for their hard work.

When asked about challenges that may impact the healthcare marketplace, Greenberg said the uncertainty at the Consumer Financial Protection Bureau is on their radar.

“The main challenge I would note pertains to uncertainty around the CFPB, what it believes its purview is in the post-Cordray environment, and how it will operate. Challenging as it may be, however, we’ve seen many companies find ways to succeed and I imagine this won’t change,” Greenberg said.

Overall, stability, if not improvement, in the healthcare marketplace is expected this year.

“Simply put, all of the new complexities have created a healthcare industry that’s full of nooks and crannies that represent opportunities to help healthcare providers improve clinical or financial efficiencies or improve their level of care,” Greenberg said. “We have every reason to think that 2018 will trend in the same direction based on the deals we see and conversations we have with investors, in conjunction with our current client base and our clients’ goals.”

*Katy Zillmer is ACA International’s Communications Specialist.*

**“We believe this high level of interest in healthcare is driven by changes and uncertainty in the market, which create a greater level of complexity.”**

— Brian Greenberg

### A New Source

Zach Eisenberg, an associate at Greenberg Advisors LLC, notes that opportunities in the healthcare marketplace stem from providers’ focus on the business of delivering healthcare.

“They want to outsource the revenue cycle functions to those that specialize in those offerings,” Eisenberg said.

Changing payment models and increasing patient financial responsibility are part of what makes it difficult for healthcare providers to keep their revenue cycle operations in-house, according to *Becker’s Hospital Review*.

And, according to a Black Book™ poll in the article, healthcare providers that outsource revenue cycle management services have seen noticeable improvement to their bottom lines.

For example, according to the poll, “78 percent of hospitals with fewer than 200 beds attributed 6.2 percent of their revenue increases to the decision to outsource all or most of their RCM operations.”

Corporate Advisory Solutions reports similar findings.

“This escalation of out-of-pocket costs represents a major revenue cycle challenge for healthcare providers and is the driver of their interest in front-end and tech enabled

are choosing to outsource those functions as well.

“Another factor, which has been interesting to see, is this technological revolution occurring in healthcare today,” Eisenberg said.

Patients can log on to their healthcare providers’ website, or download an app, to make an appointment, fill a prescription, virtually chat with a nurse and even receive a recommendation to treat minor symptoms.

On the provider side, a doctor or nurse can have quick access to patients’ records or an X-ray on the way to an appointment thanks to mobile devices and tablets.

“A lot of companies are creating unique software solutions and tools, whether they are centered on patient engagement, scheduling, or interoperability among other areas,” Eisenberg said. “We’re speaking to companies in healthcare every day that are doing things I hadn’t seen even a few years ago.”

And, those companies are active among sellers in the healthcare marketplace.

“Patient engagement and analytics were the two most prevalent IT offerings among sellers, as providers focus on

## SURVEY:

# Healthcare Organizations Lack Focus on Cybersecurity as Risks Continue

Healthcare provider organizations are lacking in planning and leadership for cybersecurity programs, according to results from a fourth quarter 2017 survey conducted by Black Book Research.

More than eight in 10 provider organizations surveyed do not have a “reliable enterprise leader” for their cybersecurity programs, according to a news release from Black Book™.

Results from payers, however, show more interest in cybersecurity planning.

“When it comes to payers, 31 percent have an established manager for cybersecurity programs currently, with 44 percent planning to recruit a candidate in the new year,” according to the news release.

However, Black Book™ also reports the healthcare industry is underestimating security threats and organizations are hesitant to adopt best practices for cybersecurity.

Fifty-four percent of respondents revealed they do not conduct regular risk assessments and 39 percent said they don’t test their security firewalls on a regular basis.

“The low security posture of most healthcare organizations may prove a target demographic for which these attacks are successful,” Doug Brown, managing partner of Black Book™ said in the news release.

This lack of planning is concerning given that the healthcare industry is one of the top targets for data breaches recently. Among the larger-scale healthcare security incidents in 2017 (<http://bit.ly/2mswelb>), a Verizon data breach in 2017 resulted in the release of a private database affecting 14 million customers; and patient data, including their name, Medicaid ID number and more, for 1.1 million people was inadvertently made public through a live hyperlink in an Indiana Health Coverage Program Report.

Findings from the November 2017 Protenus Data Breach Report (<http://bit.ly/2DpEIEM>) show there was at least one healthcare data breach per day since the beginning of 2017.

The U.S. Department of Health and Human Services (HHS) Office for Civil Rights continues to monitor the issue of cybersecurity in healthcare and stresses data breaches caused by insider threats are a recurring issue. (<http://bit.ly/2Af2Egu>)

Cybersecurity tips from HHS include:

- Consider using logs to document whenever access is granted (both physical and electronic), privileges increased, and equipment given to individuals.
- Consider having alerts in place to notify the proper department when an account has not been used for a specified number of days.
- De-activate or delete user accounts, including disabling or changing user IDs and passwords.

“When an employee or other workforce member leaves, it is extremely important that covered entities and business associates prevent unauthorized access to protected health information (PHI) by ensuring that the former workforce member’s access to PHI is effectively terminated,” HHS reports.

ACA International will host its two-part Data Security and Privacy seminar, including tips for implementing effective policies and procedures, in March. Visit our Events calendar for more details and to register.

<https://www.acainternational.org/events>.

## NEWS & NOTES

### CMS: The Impact of Cost on Health Coverage

Recent reports from the Centers for Medicare and Medicaid Services show health insurance enrollment trends, including the impact of healthcare cost and affordability on consumers. The Effectuated Enrollment report shows nearly two million people, after selecting a plan through health insurance exchanges, did not pay their health insurance premium to maintain health coverage in early 2017, citing cost as the primary reason. Read more here:

<http://go.cms.gov/2tn6GLI>

### Study: Who is at Risk for High Out-of-Pocket Costs

A growing number of consumers with employer-sponsored health insurance and their families are paying more out-of-pocket for healthcare, according to Kaiser Family Foundation research. For example, nearly 25 percent of workers spent \$1,000 or more on healthcare services and more than 1 in 10 spent over \$2,000 in 2015. “This represents a growing fraction of patients over the last decade, with the share spending \$1,000 or more rising from 17 % to 24 %.”

<http://bit.ly/2zbH7jf>

### We Want To Hear From You

*Pulse* is published for ACA healthcare collection agencies to provide current industry information for healthcare providers. ACA International welcomes article ideas and submissions for consideration in *Pulse*. Ideas may be submitted to ACA’s Communications Department at [comm@acainternational.org](mailto:comm@acainternational.org).

For more healthcare collections news, visit ACA’s Healthcare Collections page at [www.acainternational.org/pulse](http://www.acainternational.org/pulse).

# datawatch



is a monthly bulletin that contains information important to healthcare credit and collection personnel. Readers are invited to send comments and contributions to:

**Communications Department**  
**ACA International**  
**P.O. Box 390106**  
**Minneapolis, MN 55439-0106**  
[comm@acainternational.org](mailto:comm@acainternational.org)

*Note: Requests for reprints or additional information on material herein must be made through the ACA International member who sponsored your receipt of this publication.*

Do we have your correct name, title and address?  
Please advise your sponsor of any corrections.

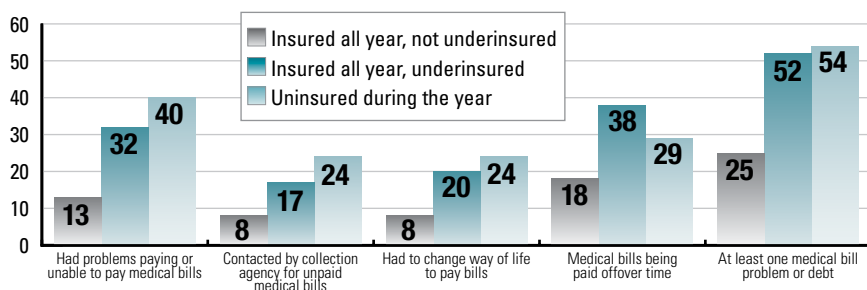
This information is not to be construed as legal advice. Legal advice must be tailored to the specific circumstances of each case. Every effort has been made to assure that this information is up to date as of the date of publication. It is not intended to be a full and exhaustive explanation of the law in any area. This information is not intended as legal advice and may not be used as legal advice. It should not be used to replace the advice of your own legal counsel.

© 2018 ACA  
International.  
All Rights Reserved.



## Problems Paying Medical Bills for Underinsured vs. Uninsured

More than half of underinsured adults participating in The Commonwealth Fund Biennial Health Insurance Survey, 2016, reported problems paying medical bills, similar to the rate for the uninsured. Underinsured consumers had insurance throughout 2016, but experienced higher out-of-pocket costs compared to their income. Close to 40 percent of underinsured consumers also reported they have medical bills they are paying over time and 20 percent reported they had to change their way of life to pay bills, compared to 24 percent for the uninsured.



Source: S. R. Collins, M. Z. Gunja, and M. M. Doty, *How Well Does Insurance Coverage Protect Consumers from Health Care Costs? Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2016*, Fund, October 2017. <http://www.commonwealthfund.org/Publications/Issue-Briefs/2017/Oct/Insurance-Coverage-Consumers--Costs>