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Investment Banking Weekly Newsletter

Market Updates

[‘Not every business survives’: 2024 behavioral health venture outlook](#)

After an explosion of investment in 2021, behavioral health startups have faced a slowdown in venture capital funding over the last year. Despite past challenges, many venture investors continue to see significant opportunities in the behavioral health sector, anticipating substantial changes as innovative payment models and maturing companies help this market evolve. The long-awaited consolidation of digital behavioral health companies is one of those inevitable forces expected to finally happen in 2024.

[Financial distress fueled more hospital M&A deals in 2023](#)

Hospitals' immediate financial needs drove more than a quarter of the sector's merger and acquisition activity through 2023, which also brought a higher overall number of unveiled transactions than its predecessor, according to a new year-end dealmaking review. Per the report, 65 hospital and health system deals were announced in 2023, which was up from 2022's 53. Total transacted revenue across 2023 was \$38.4 billion. The average size of a deal — measured as the smaller party's annual revenue — was \$591 million, which is a slight cutback from 2022's high but still “significantly outpaces” averages from 2012 to 2020.

[Patient records exposed in data breaches doubled in 2023](#)

The number of patient records exposed in data breaches doubled in 2023 compared to 2022, even as the count of breaches declined slightly, according to a report by cybersecurity firm Fortified Health Security. The report, which analyzed data from the HHS' Office for Civil Rights, found that more than 116 million records were compromised across 655 breaches — a “significant peak in patient data exposure” that eclipsed an earlier high point in 2015, when three major breaches contributed to a spike in divulged health records.

Healthcare Operators

[Netsmart's owners explore a sale valuing it at \\$5 billion](#)

The private equity owners of Netsmart Technologies are exploring a sale of the U.S. healthcare software firm that they hope will value it at more than \$5 billion, including debt, according to people familiar with the matter. Netsmart is a provider of electronic health records services, healthcare information exchanges, and software that is used for telehealth services. The company expects to generate earnings before interest, taxes, depreciation and amortization of about \$250 million this year, the sources added.

[General Catalyst to acquire Ohio nonprofit Summa Health](#)

Three months after General Catalyst announced it planned to buy a health system, the venture capital firm has landed on a target: Summa Health, one of the largest integrated delivery systems in Ohio. General Catalyst and Summa have signed a non-binding letter of intent outlining the proposed acquisition, the companies announced. The two are currently working to nail down details of the proposed deal, and plan to finalize a definitive agreement in the next several months, according to a release.

[Forta raises \\$55M to expand parent-led ABA therapy, eyes service line expansion](#)

A startup that pays parents to become registered behavior technicians (RBTs) to treat their kids with autism has raised \$55 million. San Francisco-based Forta helps parents become RBTs with the Behavior Analyst Certification Board and pays them from payer reimbursements for delivery services to their child. The funds will go toward expanding Forta's unique model of care delivery as well as investment in AI to “find breakthrough pathways that improve care outcomes and accessibility,” the release states.

Healthcare Legislative and Legal Updates

[CMS unveils new behavioral health model using a 'no wrong door' approach](#)

The Centers for Medicare & Medicaid Services announced the Innovation in Behavioral Health Model, a new approach that is designed to test for improving outcomes for adults with mental health and substance use disorders. Beginning this fall, the model is intended to funnel adults in Medicare and Medicaid to the “physical, behavioral and social supports” they need. Community-based practices under IBH will create care teams with behavioral and physical health providers.

[Long-term care hospitals can't afford to treat their sickest Medicare patients, AHA says](#)

Traditional Medicare's bar for reimbursing long-term care hospitals for severely ill, “high-cost outlier” patients has spiked under current payment policies. These policies are setting up long-term care providers to incur “greater and greater losses” and put beneficiaries' future access to care at risk, the American Hospital Association wrote in a recent white paper. The cutoff for an expensive LTCH case to qualify for extra reimbursement, known as the high-cost outlier policy's “fixed-loss amount,” rose 55% from FY 2023's \$38,518 to FY 2024's \$59,873.

[CMS finalizes rule tightening prior authorization turnaround for insurers](#)

Federally regulated health insurers — including Medicare Advantage plans — will have to turn around prior authorization decisions much more quickly under a rule finalized by the CMS. Beginning in 2026, health insurers will be required to either approve or deny an urgent prior authorization request within 72 hours. For standard or non-urgent requests, payers will have seven calendar days to respond. These deadlines cut the current timeframes for some payers to issue decisions in half, regulators said.

Transactions Overview

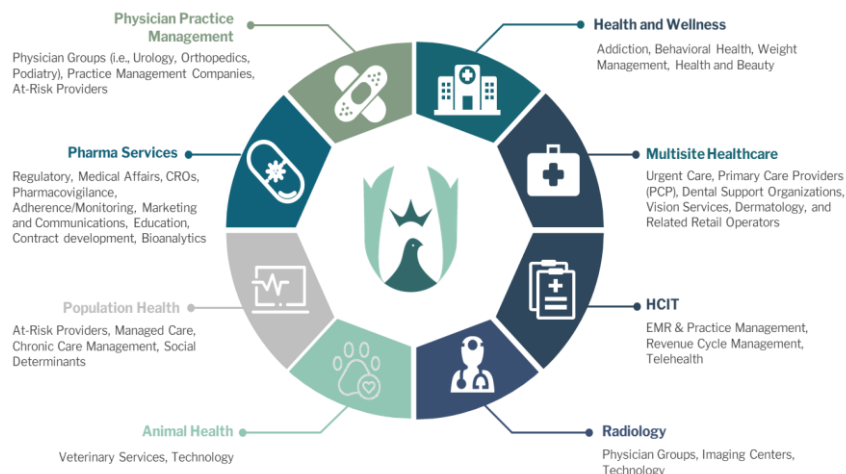
M&A Transactions from 1/15/2024 to 1/21/2024

Date	Target	Buyer/Investor	Description	Status	Healthcare Vertical
1/19/2024	Cynosure	Lutronic, Hahn & Co.	Manufacturer of aesthetic treatment systems intended for the healthcare sector.	Announced	Healthcare Services - Manufacturer
1/18/2024	EyecareLive	Visibly	Developer of telemedicine software designed for optometrist clinics for eye care.	Closed	Digital Health, IT, & Software
1/18/2024	Vitals Software	Aline	Developer of a lead management software designed to optimize the senior living experience.	Closed	Digital Health, IT, & Software
1/17/2024	Acclara	R1 RCM (NasdaqGS:RCM)	Provider of revenue cycle management solutions intended to drive revenue by putting the patient first.	Closed	HCIT - Revenue Cycle Management
1/17/2024	Allergy & Asthma Associates of DuPage	AllerVie Health, Noro-Moseley Partners	Operator of allergy and asthma treatment services based in Naperville, IL.	Closed	Allergy / ENT
1/17/2024	InquisitHealth	Pyx Health, TT Capital Partners	Provider of a peer-to-peer mentoring service intended to provide guidance through structured programs and improve patient outcomes.	Closed	Population Health Management
1/17/2024	Summa Health	General Catalyst	Provider of healthcare delivery systems intended to provide integrated and coordinated care.	Announced	Health System
1/16/2024	A-Abiding Home Care	PurposeCare, Lorient Capital	Operator of a home health care agency based in Park Ridge, IL.	Closed	Home Health & Hospice
1/16/2024	American HealthTech	PointClickCare, Hellman & Friedman, JMI Equity	Operator of electronic health record management software for post-acute and senior living organizations.	Closed	Digital Health, IT, & Software
1/16/2024	Billing Dynamix	ClinicMind	Developer of cloud-based practice management software intended to serve the healthcare industry.	Closed	HCIT - Practice Management
1/16/2024	Bright.md	98point6	Operator of a healthcare automation company intended to customize care options for escalation handoffs.	Closed	Digital Health, IT, & Software
1/16/2024	Compliance Risk Analyzer	VMG Health, Quad-C	Developer of auditing and predictive analytics tools intended to help healthcare organizations enhance coding compliance and mitigate the risk of potential recoupments and penalties.	Closed	Digital Health, IT, & Software
1/16/2024	Cured	Innovaccer, OMERS	Operator of a healthcare digital marketing and customer relationship management platform.	Closed	Digital Health, IT, & Software
1/16/2024	Michiana Home Care	PurposeCare, Lorient Capital	Provider of home health care services intended to regain optimal health that will restore independence and freedom.	Closed	Home Health & Hospice
1/16/2024	Queen City Skilled Care	PurposeCare, Lorient Capital	Operator of a home care company intended to serve senior citizens.	Closed	Home Health & Hospice
1/16/2024	SMEDIX	Perficient (NasdaqGS:PRFT)	Developer of software intended for the healthcare industry.	Closed	Digital Health, IT, & Software

Based on publicly available information

AMB at a Glance

AMB focuses on healthcare niches where consumerism and fragmentation meet to disrupt traditional healthcare channels. We are currently most active in the following segments:



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