



# ambwealth

Investment Banking Weekly Newsletter

## Market Updates

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### [Healthcare CFOs explore M&A, automation and service line cuts in 2024](#)

Over three-quarters of healthcare chief financial officers expect to see profitability increases in 2024, according to a recent survey. However, to improve profitability, many organizations say they will have to reduce investments in underperforming service lines or pursue mergers and acquisitions. More than 40% of respondents said they will decrease investments in primary care and behavioral health services in 2024, citing disruptions from retail players. They will shift funds to home care, ambulatory services and telehealth that provide higher returns. Nearly three-quarters of healthcare CFOs plan to pursue some type of M&A deal in the year ahead, despite possible regulatory threats.

### [Hospitals end 2023 with year-high margins, shortened average stays](#)

Hospitals and health systems closed out the year on a high note with margins up more than 15% from 2022. The latest sector-wide monthly report showed an increase in year-to-date operating margin index, from 1.9% through November to 2.3% at the end of the year. One standout highlighted in the report is average length of stay, which has dropped by 4% both when comparing December 2023 to December 2022, and when looking at the calendar year as a whole.

### [Investors pursue behavioral health platform deals after tumultuous 2023](#)

After a year of reckoning, the behavioral health industry is set up to see platform deals return to the market. In 2023, behavioral health dealmaking was down by roughly 30% year-over-year. This slowdown was partly due to macroeconomic trends, including inflation, high interest rates and the conflicts in Eastern Europe and the Middle East. The bulk of the deals in 2023 were smaller tuck-in acquisitions, but this could change.

## Healthcare Operators

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### [Cigna sells Medicare businesses to HCSC for \\$3.7 billion](#)

Cigna has agreed to sell its Medicare business to Health Care Service Corporation for roughly \$3.7 billion, the health insurer announced. HCSC is acquiring Cigna's Medicare Advantage, supplemental benefits and Medicare Part D plans, along with CareAllies, a division that helps providers transition to value-based care. In total, the plans cover 3.6 million people on Medicare. The companies said they expect the deal — which includes \$3.3 billion in cash and \$400 million in capital Cigna expects to be freed up — to close in the first quarter of 2025, subject to regulatory approval.

### [ApolloMed and BASS Medical Group to forge a value-based healthcare partnership](#)

Apollo Medical Holdings, Inc., a leading provider-centric, technology-powered healthcare company enabling providers to deliver accessible, high-quality, and high-value care to all, announced a strategic partnership with BASS Medical Group, one of the largest multi-specialty medical groups in the San Francisco Bay Area. The partnership will bolster BASS Medical Group's value-based care and operational infrastructure, enabling them to successfully participate in total cost of care arrangements and build more effective care models integrating primary and multi-specialty care.

### [Cano Health files for bankruptcy](#)

Cano Health filed for Chapter 11 bankruptcy, as the beleaguered primary care chain works to bolster its financials. The filing is part of a restructuring support agreement with the majority of its lenders. Cano said it expects to emerge from restructuring during the second quarter this year, adding that the process will help it reduce debt and allow it to search for a strategic partner or buyer. Cano also announced it reached an agreement to receive \$150 million in debtor-in-possession financing to fund its operations during restructuring.

## Healthcare Legislative and Legal Updates

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### [OxyContin advertiser to pay \\$350 million in first-ever opioid marketing settlement](#)

A French advertising company that worked on Purdue Pharma's OxyContin account agreed to pay \$350 million to settle a lawsuit accusing it of falsely marketing opioids as safe and unable to be abused. Publicis Health, the marketing company, agreed to not take on any more opioid clients. It is the first settlement with an advertising agency for its role in the opioid crisis, according to attorney general news release. The lawsuit, filed by the New York Attorney General, alleged that Publicis developed Purdue's "Evolve to Excellence" campaign from 2010 to 2019.

### [Medicare Advantage plans could see rates dip slightly in 2025](#)

Health insurers in Medicare Advantage will see their payment rates drop slightly in 2025 if a new proposed regulation is finalized. The net decrease of 0.2% per year is made up of 3.7% increase of overall reimbursement and a 3.9% negative adjustment for risk coding. The government estimated MA plans should still receive \$16 billion more in payments than this year. The rate change is modestly disappointing for insurers, but there's a good chance the reimbursement rate could improve in the final notice.

### [Hospital-backed proposal would make insurers reveal prior auth denial rates](#)

A recommendation on the 2024 Measures Under Consideration list, brought forward by the Federation of American Hospitals, would add a quality measure in the Medicare Advantage star ratings system that mandates health plans to report certain prior authorization denial rates. The Measures Under Consideration list gives feedback to the Centers for Medicare & Medicaid Services on quality and efficiency measures the agency should consider and implement for government health programs.

# Transactions Overview

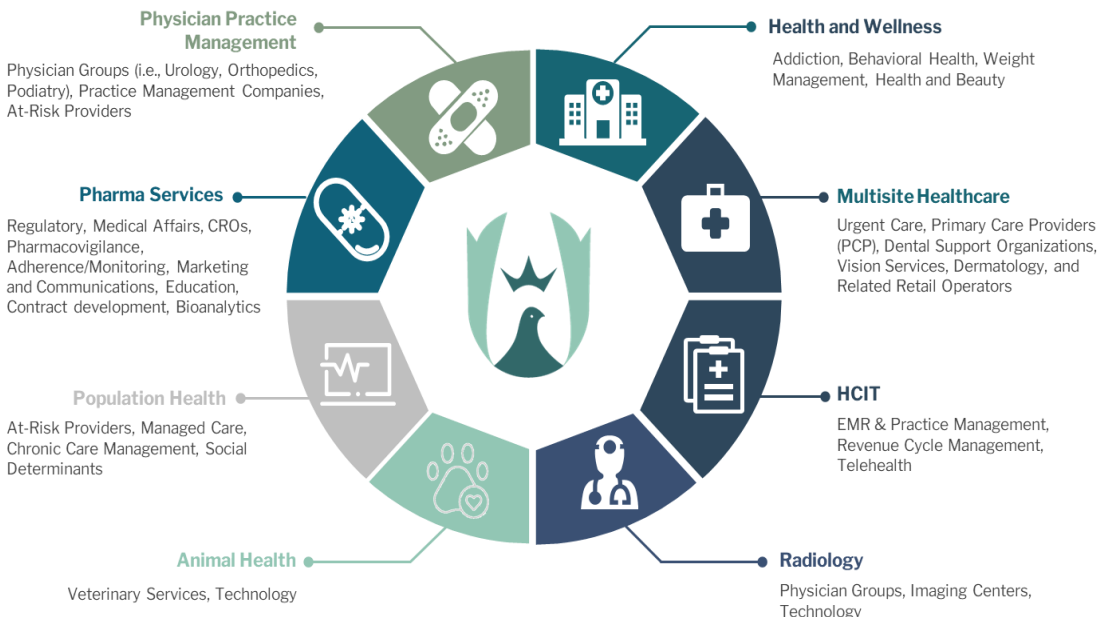
## M&A Transactions from 1/29/2024 to 2/4/2024

Date	Target	Buyer/Investor	Description	Status	Healthcare Vertical
2/1/2024	Clincierge	Greenphire, Thoma Bravo	Provider of concierge travel and logistics support services intended for patients participating in clinical trials.	Closed	NEMT
2/1/2024	Cook Biotech	Surgalign Holdings	Manufacturer of tissue repair products from biomaterials based in West Lafayette, IN.	Closed	Medical Devices
2/1/2024	Elixir Rx Solutions	MedImpact HealthCare Systems, SilverStream Capital	Operator of a full-service pharmacy benefit management company intended to serve individuals, associations and corporations.	Closed	Pharmacy Benefit Managers (PBMs)
2/1/2024	Trinity Regional Hospital Sachse	HCA Healthcare (NYSE:HCA)	Operator of an acute care hospital based in Sachse, TX.	Closed	Health Systems
2/1/2024	Visiting Nurse Association of Greater St Louis	SSM Health	Provider of hospice care, palliative care and advanced illness management services, based in Saint Louis, MO.	Closed	Home Health & Hospice
1/31/2024	CareAllies	Health Care Service Corporation	Provider of data and advisory services intended to connect care between patients, providers and payers to improve health.	Announced	Healthcare Consulting
1/31/2024	Gyant	Fabric Health	Developer of an AI-care navigation assistant intended to drive patient engagement and improve care utilization.	Closed	Digital Health, IT, & Software
1/31/2024	Specialty Networks	Cardinal Health (NYSE:CAH)	Provider of population health management, patient engagement, clinical research and workflow automation technologies.	Announced	Population Health Management
1/31/2024	WaveForm Diabetes	Trinity Biotech (NasdaqGS:TRIB)	Developer of diabetes care products intended to monitor blood glucose.	Closed	Medical Devices
1/30/2024	West Hills Hospital & Medical Center	UCLA Health	Operator of a hospital and medical center based in West Hills, CA.	Announced	Hospital
1/29/2024	Science 37 (NasdaqCM:SNCE)	eMed	Developer of new and innovative treatments including telemedicine investigators, mobile nurses, remote coordinators, patient communities and connected devices.	Announced	Telehealth
1/29/2024	VetMedux	Instinct, Mainsail Partners	Developer of veterinarian practice management system designed to support veterinarians and their teams.	Closed	Veterinary

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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New sector insights each month

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