



AND THE BEAT GOES ON FOR BEHAVIORAL HEALTH M&A

Who knew Sonny and Cher wrote the sound track for behavioral health mergers and acquisitions?

Sing it with us...

“The beat goes on, the beat goes on,

Deals keep closing in a rhythm that’s sustained

La de da de de, la de da de da.”

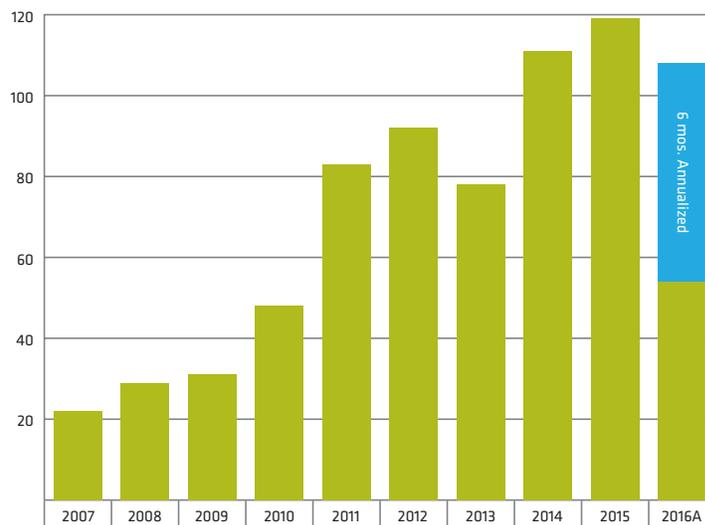
(Or something like that.)

Based on proprietary M&A transaction data collected and analyzed by The Braff Group through the first half of 2016, the sector is well on its way to 100 deals for the third year in a row.

For a little perspective, since we began tracking health care service deals in 2001, only the home health care and home medical equipment sectors have cracked the century mark. Home health has done it 6 times, and might notch number 7 this year. HME? Only once. **None** of the other sectors – hospice, pharmacy services (infusion therapy and specialty Rx), health care staffing, or urgent care (a sector which has seen more than 30 private equity sponsored platform deals over the past five years) – has even come close.

So behavioral health care is in rarified air.

Behavioral Health Care Deal Trends – All Segments



Source The Braff Group





What's more, in a market that positively swoons over the promise of coordinated care initiatives (accountable care organizations; bundled payment systems; population health management), **a growing number of providers in adjacent sectors are fast realizing that (a) managing behavioral health can be a linchpin to success, and (b) they lack that capacity.**

That's why we're seeing new varieties of tasty Combos hitting the market.

- **Walgreens** has partnered with **Mental Health America** and **MDLive** to increase patient access to mental health services via networks of community-based providers and telehealth.
- **Genoa**, a specialty pharmacy that specializes in behavioral health therapies, acquired **1DocWay**, another telehealth provider that specializes exclusively in tele-psychiatry.
- **Epic Health Services**, a provider which began life as a pediatric home care and therapy provider has made significant investments in autism and early intervention service providers.
- **HealthRight360** is aggressively integrating behavioral health with primary care.
- **Universal Health Services** continues to pursue its strategy to operate both acute care and behavioral health facilities, and notably, completed the high profile, \$350M acquisition of **Foundations Recovery Network** in 2015.
- Mental Health Management Company **Mindoula Health** acquired **Care at Hand**, a health care analytics company that works largely with home care providers that have ready access to critical predictive data.

These are just a few examples of the innovative couplings that we have seen – and will no doubt continue to see over the near term.

And the ramifications for behavioral health M&A are enormous.

Let's start with the fact that dealmaking in behavioral health is innately cross-border-ish.

In virtually all of the health care sectors that we cover, during, at least, the initial phases of consolidation, the majority of deals are between buyers and sellers that play in virtually identical sandboxes.

Not so in behavioral health.

While we have seen like-minded buyer/seller activity, the degree of sameness between them is just not the same.

Much of this is due to the fact that there's no there, there in behavioral health. With so many different services, offered to so many different populations, in so many different settings, behavioral health can't really be defined, "but you will know it when you see it." (Where have we heard that phrase before?)

The same is true even within narrow sub-segments. What is additions and substance abuse treatment? Is it residential, PHP/IOP, outpatient, medication assisted treatment, sober living? Of course, it's all of these – **in combination.**

So...

Under coordinated care, when it comes to the overall health care delivery system, the mantra today is to tear down those walls, Mr. Gorbachev.

And in behavioral health, there's not much of a wall between segments to begin with.

Ipsa facto, in behavioral health, a buyer can come from virtually anywhere across the health care spectrum.

Hospitals, skilled nursing facilities, urgent care, pharmacy, home care, hospice, insurance companies, yada, yada, yada – all are viable acquirers for a litany of behavioral health care providers.

That's enough demand to power interest – and opportunity – to make behavioral health all the rage for a whole lot longer than Pokémon GO or Creepy Clowns.

So, the beat goes on.

Groovy.

FOR MORE INSIGHT INTO THE M&A MARKET FOR BEHAVIORAL HEALTH AND WHAT IT MAY MEAN TO YOU, CONTACT OUR BEHAVIORAL HEALTH TEAM:



Ted Jordan
Managing Director
Atlanta
888-290-7080



Nancy Weisling
Managing Director
Chicago
888-290-7237



Deirdre Stewart
Director of Research & Development
Pittsburgh
412-833-1355