



2024 Texas HFMA Conference

May 2024

Meet the Speakers!



Healthcare Industry Leader



Ron Present

Partner, Healthcare Solutions

Ron has an extensive background creating trusting relationships with healthcare providers, payors, employers and other organizations that support the healthcare industry. He helps lead nationally Armanino's Healthcare Industry practice. Ron and his team are always looking for ways to implement innovative solutions accompanied by AI, machine learning and other technological supports.

With almost 35 years of health care industry experience, he has in-depth knowledge of the operational structure and strategies of pre-acute, acute and post-acute healthcare environments. He is a licensed and certified nursing home and assisted living administrator, a contributor to multiple thought leadership outlets and is a frequent speaker for healthcare groups and associations. He provides advisory services throughout the country.

Merger & Acquisition Consulting Leader



Chad Zoretic

Partner, Consulting – Transaction Advisory Services

Chad is a financial executive with over 25 years of providing transaction advisory services (buy-side/sell-side, due diligence, Quality of Earnings) for private equity and corporate clients. Expertise includes preparing companies for sale, carve-outs, evaluating acquisition targets, developing and implementing operational improvement plans for post-acquisition environments, and providing interim CFO services.

Chad's industry experience includes health sciences (clinical trials, pharmacy, specialty pharmacy, long-term care, physician groups, dental service organizations, veterinary clinics, medical device/biotech); technology (SaaS, e-commerce, software development); chemical manufacturing, general manufacturing and other industries.

Chad received his B.A. in Accounting from Loyola University Maryland.

The Landscape of M&A in Healthcare



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HEALTHCARE INDUSTRY CHALLENGES AND SOLUTIONS

Value based pay conversion
 Contract analysis
 Market analysis
 Operating transformation
 Expense reduction
 Payment reductions
 Outsourcing
 Process improvement
 Cost analysis
 Operating transformation
 Benchmarking analysis
 Cashflow projections

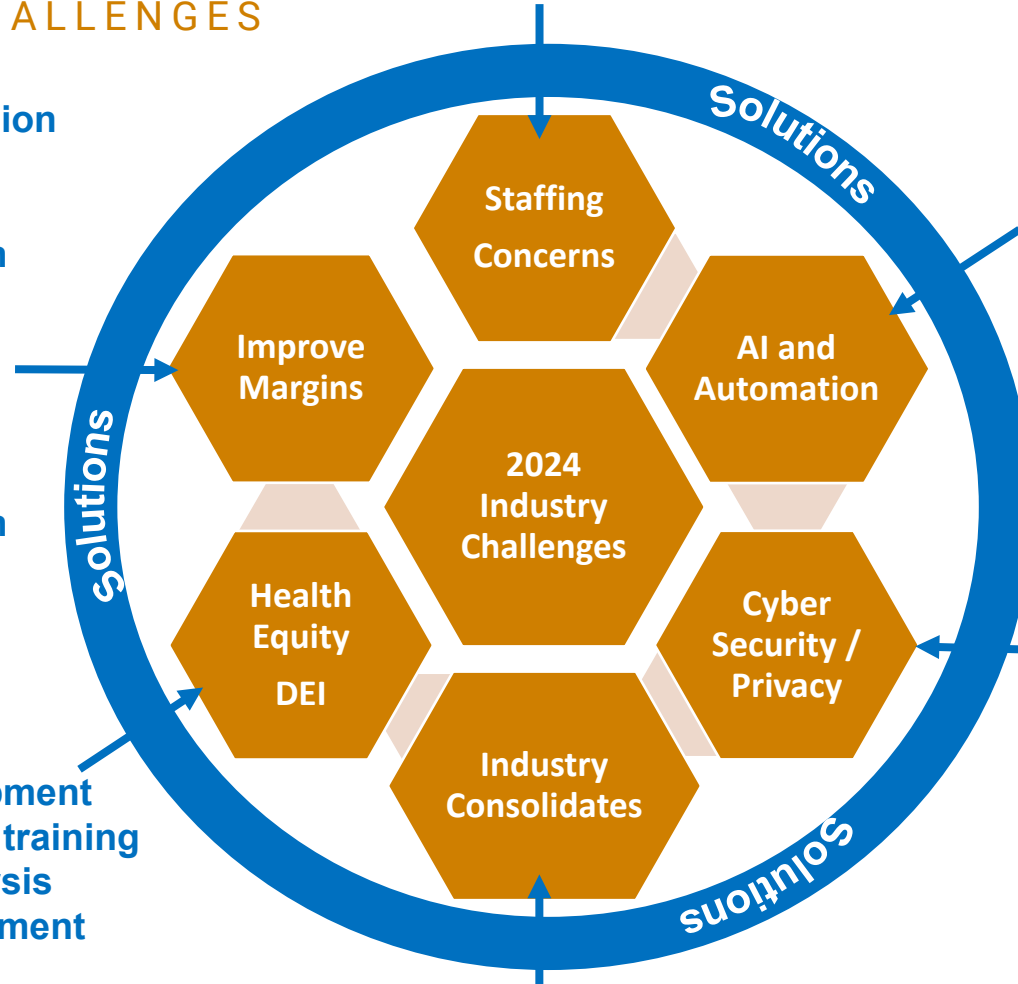
ESG
 P&P development
 Board / staff training
 Market analysis
 CHN Assessment

Digital workers
 Outsourced services
 ESG
 HR strategies

Automation
 Digital workers
 Predictive modeling

Cyber security testing
 Cyber security risk assessment
 PEN testing
 HIPAA assessment
 SOC assessment
 SOC implementation
 HITRUST

Due diligence
 M&A
 Financing alternatives
 Strategic planning
 Competitor analysis

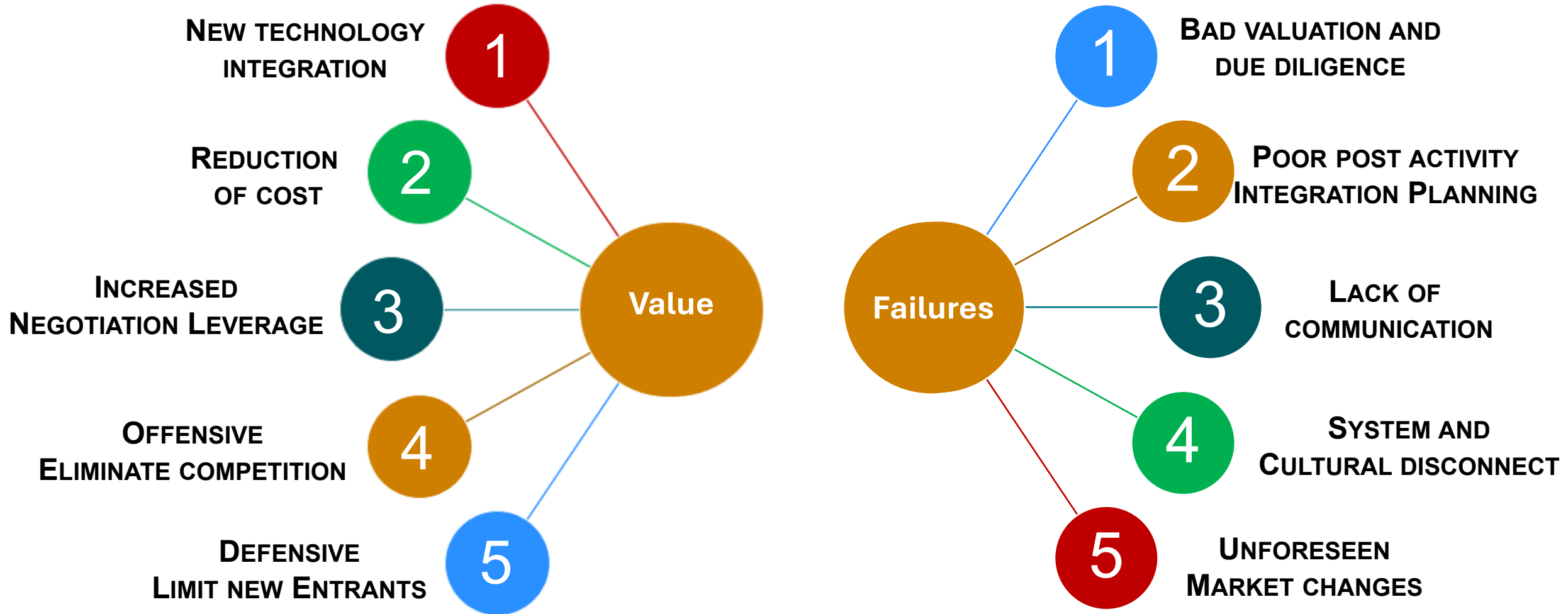


What questions about M&A do you ponder?

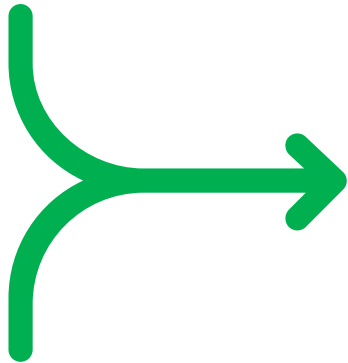
- What concerns do you see with consolidations?
- Are you ready?
- Are you pursuing or are you being pursued?
- Is it part of your growth strategy?
- Is it part of your survival strategy?
- How does it impact patient care?
- Do you have cybersecurity concerns?



What Works and What Fails?



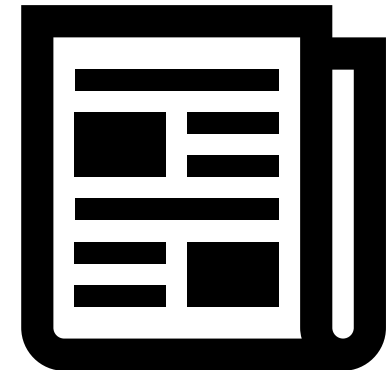
What are recent consolidation trends in healthcare M&A?



- Planned consolidation continues in several areas:
 - Hospital systems
 - Nursing homes
 - Home health
 - ALF/Senior Living
 - Behavioral Health
 - Physician practices

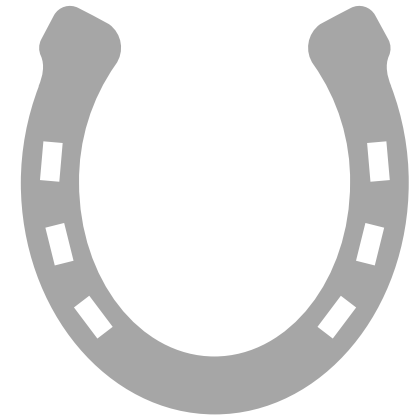
What are some recent healthcare M&A Transactions?

- Dallas based Steward Health Care 31 hospitals for sale with Chapter 11; stewardship Health physician group to Optum
 - Kaiser Permanente and Geisinger creating Risant – \$5B investment (value-based care model)
 - Henry Ford and Ascension Michigan – JV – \$10.5B
 - Univ of MI Health and Sparrow Health – \$7B 11 hospitals +
 - Intermountain and SCL Health – \$14B 33 hospitals +
 - Advocate Aurora Health and Atrium – creates \$27B system
 - UnitedHealth Group's Optum and Amedisys (homecare and hospice) - \$3.7B
 - CVS Health and Oak Street Health – \$10.6B
 - CVS Health and Signify Health – added 10K clinicians – \$8B
 - Amazon and One Medical – \$3.9B
 - **UnitedHealth Group and LHC Group - \$5.4B**
 - **VillageMD owned by Walgreens Boots Alliance and Summit Health \$8.9B**

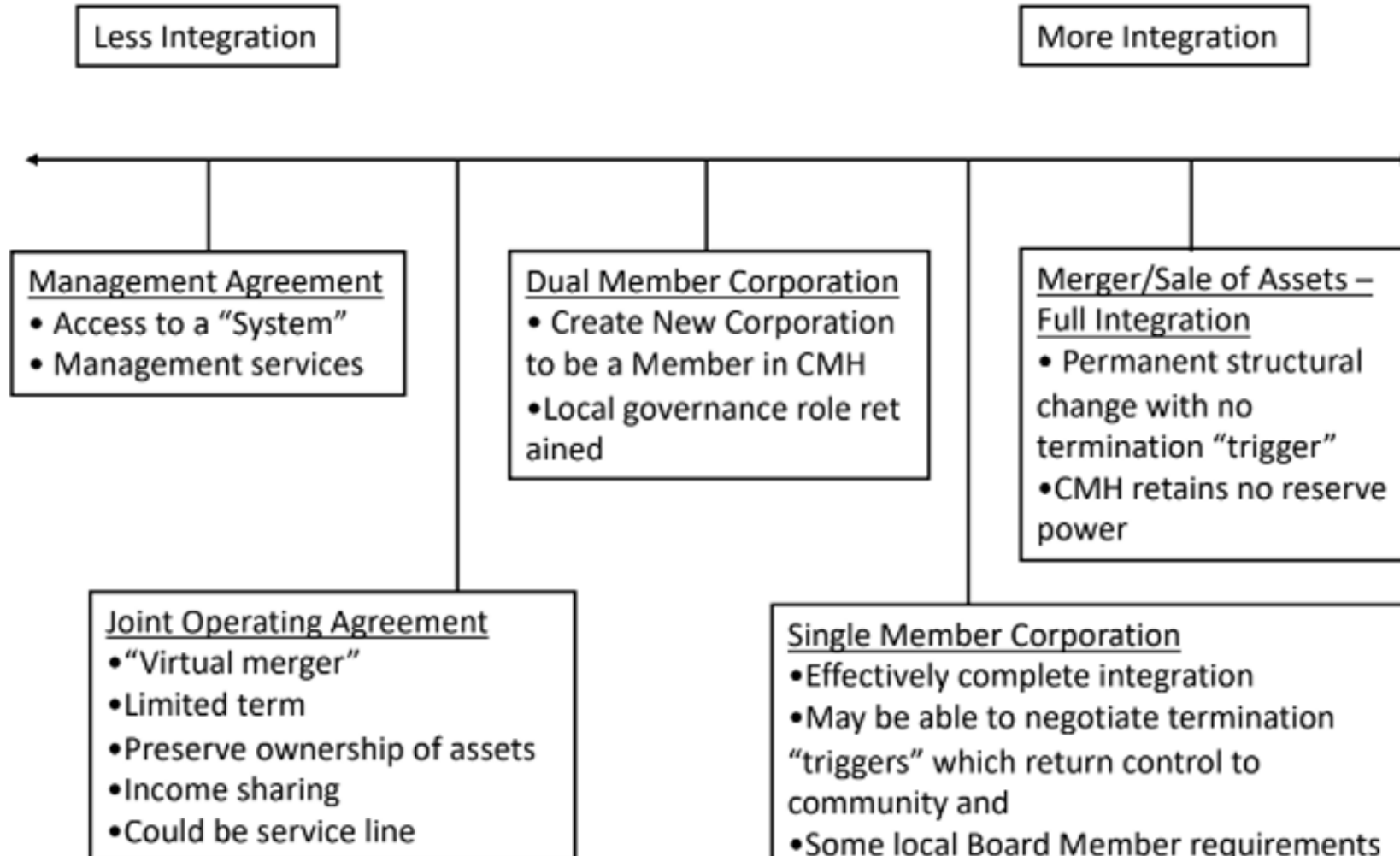


Is this your first financial rodeo in M&A?

- Be prepared to defend against intense financial scrutiny
- Seller disclosed financial results should be clearly support by clinical system support
- The entire revenue cycle is thoroughly investigated
 - Revenue waterfall analysis
 - Quality of receivables
 - Fee table management
- Cost structure analytics are also crucial
- Have knowledge of the near-term reimbursement landscape with plans to address changes
- Know your working capital investment



THE CONTINUUM OF SPAN OF CONTROL



SPAN OF CONTROL - ATTRIBUTES MATRIX

	MANAGEMENT AGREEMENT	JOINT OPERATING AGREEMENT	DUAL MEMBER CORPORATION	SINGLE MEMBER CORPORATION	MERGER / SALE OF ASSETS – FULL INTEGRATION
GOVERNANCE	RETAINED AS IS	SHARED AS TO CERTAIN OPERATIONS	SHARED	GENERALLY TRANSFERRED	TRANSFERRED
ASSETS	RETAINED	RETAINED	RETAINED – SHARED CONTROL	RETAINED – CONTROL BY PARENT	TRANSFERRED
OPERATIONS¹	DELEGATED	RETAINED – PROFITS SHARED	RETAINED – CONTROL SHARED	RETAINED SUBJECT TO PARENT CONTROL	TRANSFERRED
CONTINUED EXISTENCE	YES	YES	YES	YES	NO
CASH PAID TO ONE HOSPITAL	NO	POSSIBLE	POSSIBLE	POSSIBLE	YES

¹ Employees, patients, supplies, contractual obligations, day to day services, etc.

How is the regulatory environment impacting M&A?

- In the current market, buyers are (even) more discerning on due diligence, both financial and legal
- Increased scrutiny by the regulators – both Federal and State
- A number of states have implemented anti-trust type notice/approval requirements for Health Care M&A transactions
- The state level requirements are in some ways parallel to federal HSR review (which is now enhanced for Health Care and roll-up transactions) but in many cases would pick up transactions below the HSR reporting threshold which is now \$119M in transaction value
- No Surprises Act impact needs to be considered



What are your questions?



Armanino Snapshot – How We Help Healthcare



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Armanino Services

Strategy and Transformation (S&T)

- Assessments & Roadmaps
- Business Process Improvement
- Software Selection & Utilization
- Automation / AI
- Business Transformation
- Benchmarking
- Program Management
- ESG

- Transactional Processing
- Financial Reporting
- Month-end Close
- Interim Finance Management
- Corporate Finance & Restructuring
- HR & Executive Search

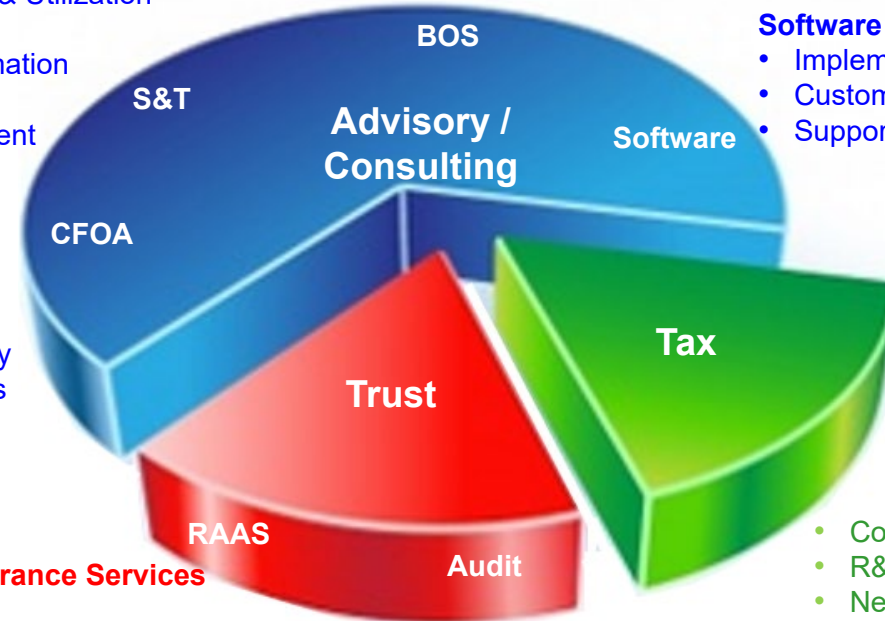
Software and Tech Solutions

- Implementation Services
- Customization & Integration
- Support & Training
- Solutions
 - Enterprise Resource Planning (ERP)
 - Customer Relationship Management (CRM)
 - Budgeting, Planning & Forecasting
 - Equity Management Solutions
 - Financial Close
 - Data Analytics & BI

CFO Advisory (CFOA)

- Financial Management
 - Financial Reporting
 - Audit Preparation
 - Post transaction integration
 - Financial Analysis
 - Forecasting/Budgeting
 - Technical Accounting
 - Interim Finance Management

- Valuations
- Equity Management
- Transaction Advisory
- Fraud and Forensics



Risk Adv & Assurance Services

- HIPAA
- Cybersecurity & Privacy
- Contract Compliance Audits
- HITRUST Certification Services
- Enterprise Risk Management
- Internal Audit
- ISO 27001
- SOC Audit & SOC Compliance
- SOX Compliance
- Construction Project Cost Advisory
- Third-Party Assurance & Vendor Risk Management

Audit

- Financial Statement Reviews & Audits
- Agreed-Upon Procedures
- Compilations
- Revenue Recognition
- Benefit Plan Audits
- Construction Project Cost Advisory

- Tax Provision
- International Tax
- Transfer Pricing
- State & Local Tax
- Sales & Use Tax
- Complex Tax Data Analysis
- R&D Credit Studies
- Net Operating Loss Limitation Analysis
- M&A Consulting & Due Diligence
- Pre-IPO Tax Consulting

Almost 1,600 Healthcare Clients

Client Snapshot

HEALTHCARE COMPANIES



900+

MEDICAL GROUPS



290+

HOSPITALS & HEALTH CENTERS



170+

HOME HEALTH & ASSISTED LIVING



90+

DIAGNOSTICS & LABS



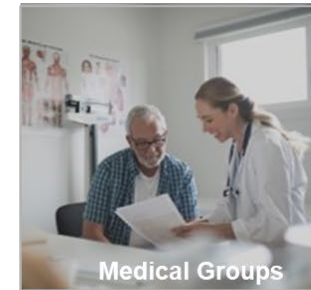
70+

ENGAGE WITH CONFIDENCE

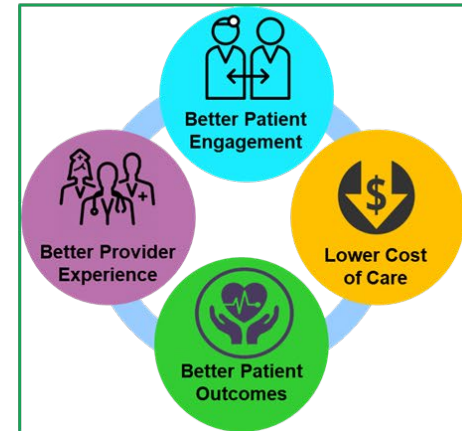
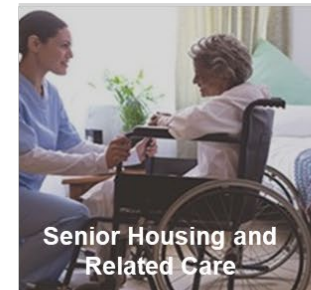
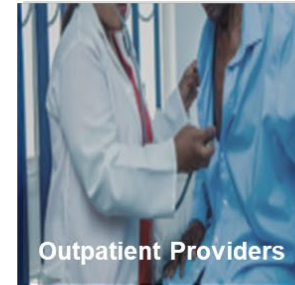
Providing Strategic Value by Healthcare Niche

Our experienced **healthcare specialists** serve the unique tax, accounting, audit, operating, financial and strategic needs of close to 1,600 providers and payors throughout the country.

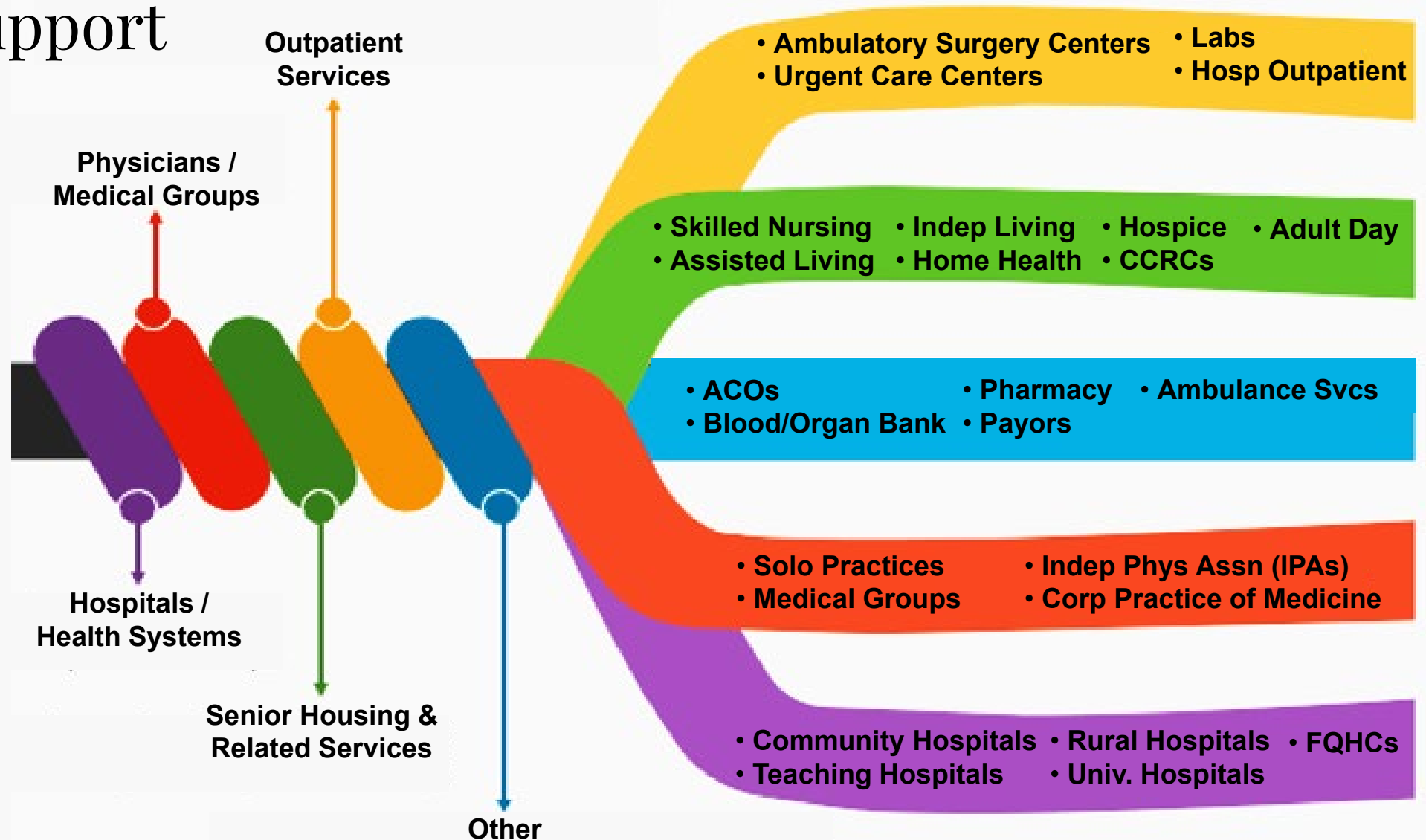
A **true differentiator** is our focus on helping clients achieve the Quadruple Aim Goal so quality care is not sacrificed when supporting financial performance and improved margins.



Industry Solutions With A Strong Focus On




Who We Support





How We Serve The Healthcare Industry


-  **VALUE-BASED**
-  **TECHNOLOGY**
-  **STRATEGY**
-  **ANALYTICS**
-  **COMPLIANCE**
-  **INTEGRATION**


 Value-based care and services holds providers financially accountable to the delivery of quality care, not just the volume of the care. Understanding how to determine the risk/reward of alternative payment models is critical to your success.

 Healthcare is always in flux. A well communicated, accountable and implemented strategy will help align mission, vision and values while guiding resources, actions and future decisions to help you be the “bar” that others will aspire.

 Knowing the requirements of Federal, state, and local regulations is our foundation. Realizing the innovative compliant state, requires strong audit, tax, technical accounting, creative advisory services, and regulatory support.

 The right systems, properly deployed, drives important efficiencies in ops and finance supporting strategic direction. Privacy, security, AI, interconnectivity, and ADT are samples of needed integration with finance and operational systems.

 Real-time, strong analytic measures overall performance and related strategy. Integrating financial/operational data influences your QA/QI processes, encourages accountability and ensures positive outcomes.

 Provider and payor convergence, and PE and VC firms investing in healthcare requires a growth strategy to reach critical mass and then exit. Company evolution, exiting via sale, or implementing an IPO/SPAC as an exit requires specialized talent and resources.