

REVENUE CYCLE MANAGEMENT

Sector Overview and Observations

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BCA REVENUE CYCLE MANAGEMENT INVESTMENT BANKING

Brentwood Capital Advisors is a healthcare focused investment bank headquartered in Nashville, TN. BCA's revenue cycle management ("RCM") practice spans multiple sub sectors, including patient access, coding, complex claims, and outsourced billing and collections. RCM remains one of the most attractive sectors in healthcare, and we have a 20+ year track record representing premium, high-quality companies as they evaluate strategic alternatives while preserving their legacy and mission.

150+

Healthcare Deals Since Inception;
Unmatched Expertise

19

RCM Transactions Since 2020;
Serious Scale

1999

BCA Founded;
Proven Boutique Approach

10B+

Deal Volume Since Inception;
Deep Advisory Experience

22

Bankers;
No Bandwidth Constraints

4

Senior RCM Bankers;
Industry Experience and Knowledge



Bryan Cloncs
Managing Director
917.597.1519
bcloncs@brentwoodcapital.com



Porter Meadors
Managing Director
615.476.7837
pmeadors@brentwoodcapital.com



Patrick Price
Director
615.473.1812
pprice@brentwoodcapital.com

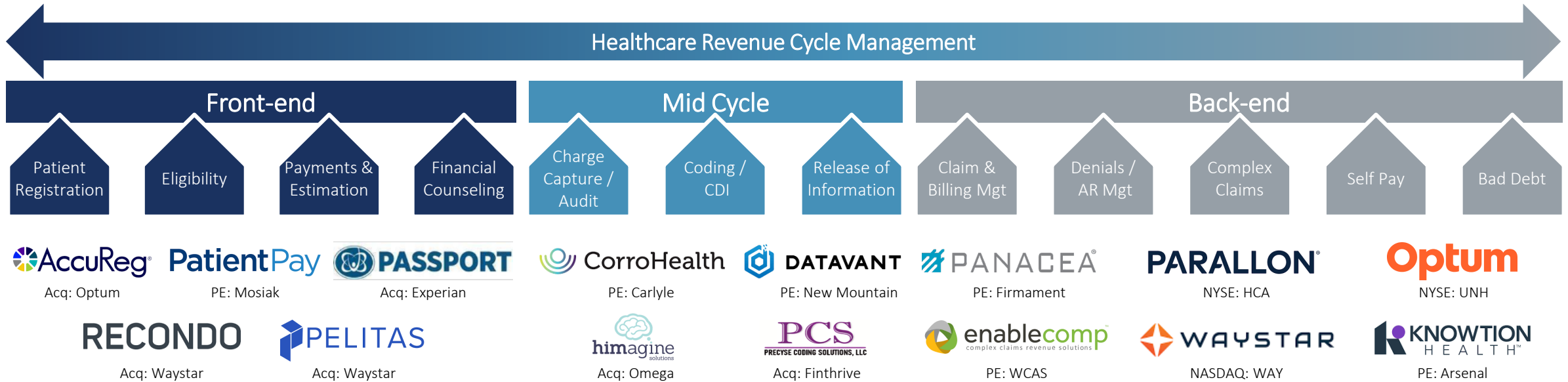


Kyle Witty
Director
804.389.3042
kwitty@brentwoodcapital.com

 Acquisition of BOOST HEALTHCARE <small>an amgen company</small> Denied / Underpaid Claims RCM	 Sale to Undisclosed Buyer Acute RCM	 Sale to G SQUARE Performance Improvement / Practice Management	 Sale to cpsi Ambulatory RCM	 Sale to LONE VIEW CAPITAL Complex Claims RCM
 Acquisition of aspiron Revenue Integrity / Complex Claims RCM	 Sale to CorroHealth Revenue Integrity / Acute RCM	 Sale to aspiron Revenue Integrity / Complex Claims RCM	 Sale to cpsi Acute RCM	 Acquisition of enablecomp Complex Claims RCM
 Sale to healthPRIME RCM / Practice Management	 Sale to ENSEMBLE HEALTH PARTNERS Performance Improvement	 Acquisition of DECO Complex Claims RCM	 Acquisition of Ovation Healthcare Performance Improvement	 Sale to SHERIDAN CAPITAL PARTNERS Post-Acute Coding / RCM
 Sale to SHERIDAN CAPITAL PARTNERS Post-Acute Coding / RCM	 Debt Advisory GulfCapital <small>Partners in Growth</small> RCM / Practice Management	 Sale to AQUILINE CAPITAL PARTNERS LLC Ambulatory RCM	 Sale to REVINT RCM Workflow	 Sale to SUNSTONE PARTNERS Revenue Integrity / Complex Claims RCM

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REVENUE CYCLE MANAGEMENT: OVERVIEW AND CONTEXT



- **Revenue Cycle Management (RCM)** refers broadly to all clinical, financial, and administrative functions that contribute to **provider reimbursement**.
- RCM is comprised of **interrelated, sequential functions** that collectively support the reimbursement process from before the time the patient presents for care to the full resolution of a patient's account following care delivery.
- In recent years, both capital raising and M&A activity within RCM have exploded due to the **'mission critical'** nature of these functions and due to sweeping changes in healthcare delivery and reimbursement that have created new challenges for providers and **opportunities for innovative vendors**.
- Providers now require more **sophisticated tools, greater expertise, and increased process automation** to thrive in today's evolving healthcare environment.
- The analysis that follows examines the current **trends driving disruption** in RCM and the evolution of solutions required to support providers in today's highly competitive market.

MACRO PRESSURE: MOUNTING CHALLENGES TO OPTIMIZE REIMBURSEMENT

Changing reimbursement, high operating costs, workforce challenges, and ongoing regulatory pressures

Category	Item	Item	Item	Item
1. General Information	1.1. Name of the organization	1.2. Address of the organization	1.3. Contact information	1.4. Date of the report
2. Purpose of the Report	2.1. Objectives of the study	2.2. Scope of the study	2.3. Methodology used	2.4. Limitations of the study
3. Findings	3.1. Key findings	3.2. Data analysis	3.3. Interpretation of results	3.4. Conclusions
4. Recommendations	4.1. Actionable insights	4.2. Future research	4.3. Implementation plan	4.4. Monitoring and evaluation
5. Appendix	5.1. Raw data	5.2. Supporting documents	5.3. Glossary	5.4. References

PATIENT ACCESS: KEY FUNCTIONS, OBSERVATIONS, AND OPPORTUNITIES

Patient Access, or the 'Front Office', includes all functions with direct patient interaction



WHAT EFFECTIVE PATIENT ACCESS MEANS TODAY

Clinical and financial engagement of patients now begins before they present for care, using flexible omnichannel communication based on patient preference, engagement behavior, and desired outcome



MID-CYCLE: THE CRITICAL INTERSECTION OF THE CLINICAL AND FINANCIAL REALMS

The mid-cycle encompasses all documentation and coding related to care delivery that serves as the basis for provider reimbursement



Documentation & Coding

- 1. Accurate documentation of patient history, physical exam, and medical decision-making is essential for proper coding and reimbursement.
- 2. Utilizing ICD-10-CM and CPT codes correctly is critical for billing accuracy.
- 3. Regular audits and updates to coding knowledge are necessary to stay current.



Quality Improvement & Compliance

- 1. Monitoring and improving clinical quality metrics is a key focus of the mid-cycle.
- 2. Ensuring compliance with HIPAA and other regulatory requirements is paramount.
- 3. Implementing and maintaining robust data security protocols is essential.



Financial Management & Billing

- 1. Timely and accurate billing is crucial for maintaining cash flow.
- 2. Managing accounts receivable and addressing denials efficiently is key.
- 3. Understanding payer policies and contracts is essential for maximizing revenue.



Revenue Cycle & Risk Management

- 1. Optimizing the revenue cycle from patient encounter to payment is a continuous process.
- 2. Identifying and mitigating financial risks is a critical component of the mid-cycle.
- 3. Maintaining accurate financial records and reporting is essential for decision-making.

EVOLVING TRENDS IN HEALTH INFORMATION MANAGEMENT

HIM has historically been comprised of labor-intensive functions; in recent years the use of technology has driven efficiency, accuracy, and process automation



BACK-END: BILLING AND COLLECTIONS

Zero-sum fight for every dollar with unique complexities for each class of reimbursement



COMPLEX CLAIMS ARE “COMPLEX” FOR A REASON

Workers’ Compensation, Motor Vehicle Accident, Veteran’s Affairs, and complex denials represent a significant yet challenging reimbursement opportunity for hospitals and health systems



GLOBAL BILLING AND COLLECTIONS: AT WHAT COST?

Offshoring is becoming increasingly necessary to remain competitive in today's outsourcing market



TOP RCM TRENDS DRIVING CAPITAL MARKETS ACTIVITY

Bets on innovative value creation strategies have driven a wave of M&A activity over the past several years

1. Acceleration in digital transformation
The rapid pace of digital transformation across all industries has driven a wave of M&A activity. Companies are looking to acquire or build out digital capabilities to stay competitive in the market.

2. Expansion into new markets
Companies are looking to expand into new markets to drive growth. This has led to a wave of M&A activity as companies acquire or build out capabilities in new markets.

3. Sustainability and ESG
The focus on sustainability and ESG has driven a wave of M&A activity. Companies are looking to acquire or build out capabilities in sustainability and ESG to meet the demands of investors and customers.

4. New product development
The need for new products and services has driven a wave of M&A activity. Companies are looking to acquire or build out capabilities in new product development to stay competitive in the market.

5. Supply chain optimization
The need for supply chain optimization has driven a wave of M&A activity. Companies are looking to acquire or build out capabilities in supply chain optimization to improve efficiency and reduce costs.

6. Strategic investments in emerging markets
The need for strategic investments in emerging markets has driven a wave of M&A activity. Companies are looking to acquire or build out capabilities in emerging markets to drive growth and diversify their portfolio.

KEY BUYER DILIGENCE THEMES

Buyers in recent BCA processes in RCM have focused on the following themes and topics:

1. Financial Performance

Buyers are focused on understanding the company's financial performance, including revenue growth, profitability, and cash flow. They are also interested in the company's financial history and its ability to sustain its current performance.

2. Market Position

Buyers are interested in the company's market position, including its competitive advantage, market share, and growth potential. They are also looking for information on the company's customer base and its ability to attract and retain customers.

3. Management Team

Buyers are focused on understanding the company's management team, including the experience and track record of the CEO and other key executives. They are also interested in the company's governance structure and its ability to execute its business plan.

4. Technology and Innovation

Buyers are interested in the company's technology and innovation capabilities, including its investment in research and development, its intellectual property portfolio, and its ability to develop new products and services.

5. Operations

Buyers are focused on understanding the company's operations, including its manufacturing process, its supply chain, and its ability to scale its operations. They are also interested in the company's operational efficiency and its ability to reduce costs.

6. Legal and Compliance

Buyers are interested in the company's legal and compliance status, including its adherence to applicable laws and regulations, its intellectual property protection, and its ability to manage legal risks.

RECENT MARKET ACTIVITY

Wide range of EBITDA multiples for RCM companies – growth, margin, scale, and specific deal dynamics drive variability

