

INSIGHTS FROM THE BDO CENTER FOR HEALTHCARE EXCELLENCE & INNOVATION

HEALTHCARE TRANSACTION ADVISORY SERVICES



Creating Value Through Deals

The healthcare industry has experienced high deal flow for the past several years and the pandemic has shed new light on the value of partnerships and deals. Shared resources, access to capital, expanded geography, technological advancement and cost synergies have never been more important and facing the industry's challenges alone will become less and less common. Transformation is as necessary as it is intimidating. As healthcare organizations across every sector redesign the future of care, their strategies will require the right mix of creativity, investment and risk. Finding the right partner or investor will also be critical. When exploring partnerships or transactions, it's wise to start at the end: What is the desired goal or end state? Finding partners who are aligned with your mission and putting patient outcomes at the core of decision-making will contribute to the development of a successful process.

Through our [M&A POWERED Platform™](#), BDO guides healthcare organizations and investors through the entire transaction life cycle, from initial target screening or sale preparation to comprehensive due diligence, post-merger integration and beyond. Our healthcare transaction team has been directly involved in multiple buy-side and sell-side engagements within the industry, ranging from \$1 million to over \$50 billion. Our dedicated healthcare professionals bring a wide breadth of experience through their work in deal advisory, transaction advisory, investment banking, tax and assurance advisory. This diverse background allows for unique insights and perspectives on key transaction issues.

Our Approach

AN INTEGRATED APPROACH TO HELP YOU PREPARE

Question	Private Equity Value Creation	Clinical & Operational Advisory
Is your organization designed for the population you are trying to serve?	<ul style="list-style-type: none"> ▶ Buy- or Sell-Side Financial Due Diligence ▶ Synergy analysis 	<ul style="list-style-type: none"> ▶ Population, Demographics and Market Analytics ▶ Clinical Assessment of Services Provided ▶ Facilities & Infrastructure Review
Is your organization's revenue stream at risk?	<ul style="list-style-type: none"> ▶ Revenue Cycle Assessment and Optimization ▶ Transformation from Managed Care to Value-Based Care 	<ul style="list-style-type: none"> ▶ Current State Assessment ▶ Future State Strategy & Design ▶ Revenue Cycle Management ▶ Interim & Outsourced Management ▶ Coding chart reviews
Have you assessed your capital, optimal tax structure and broader integration needs to execute a successful transaction?	<ul style="list-style-type: none"> ▶ Buy- or Sell-Side Tax Due Diligence ▶ Tax Structuring & Capital Advisory 	<ul style="list-style-type: none"> ▶ Pre-Transaction Integration Strategy ▶ Post-Transaction 100-Day Plan
Are your clinical and contracting strategies aligned and optimized?	<ul style="list-style-type: none"> ▶ Managed Care and Payer Contracting review & transition from fee-for-service to risk ▶ Black box analysis ▶ Vendor, supplier, physician contracts and compensation plans 	<ul style="list-style-type: none"> ▶ Clinician Engagement Strategy ▶ Managed Care Contracting Strategy

HEALTHCARE INDUSTRY EXPERIENCE:

- ▶ Accountable Care Organizations
- ▶ Acute Care Hospitals
- ▶ Ambulatory Surgery Centers
- ▶ Behavioral Health
- ▶ Dental Services
- ▶ Home Health & Hospice
- ▶ Lab & Diagnostics
- ▶ Managed Care
- ▶ Pharmacies
- ▶ Pharmacy Benefit Managers
- ▶ Physician Practices
- ▶ Physical Therapy
- ▶ Skilled Nursing Facilities
- ▶ Urgent Care

Benefits of the Transaction Process

BUY-SIDE SUPPORT

We support a buyer's process by identifying and understanding key value drivers, risks and the opportunities that matter most. Our [Quality of Business™](#) due diligence approach is largely analytics-driven and goes beyond accounting to incorporate a detailed assessment of financial, tax, operational, IT, HR and insurance related issues.



Focused Executive Summary

- ▶ Overview of key business drivers, quality of financial and operational information, quality of earnings, and quality of net revenue and accounts receivable
- ▶ Key findings and perspectives on major transaction issues identified
- ▶ Insights focused on potential risks



Focus on Free Cash Flow

- ▶ Analysis of key business drivers, including the sustainability of the quality of earnings, free cash flows, and realization of synergies and other value creation initiatives
- ▶ Tailored analysis of historical operating results
- ▶ Consideration of nonrecurring, out-of-period and pro forma impact to earnings



Supporting Analysis

- ▶ Databook containing supporting analysis of quality of earnings, net working capital and debt and debt-like items
- ▶ Detailed support for conclusions & recommendations
- ▶ Organized deliverables of financial & key performance indicators for ease of use

SELL-SIDE SUPPORT

We support a sale process by identifying and addressing financial, tax, accounting, operational, IT, HR and insurance related risks before a buyer is involved in the process and diligence commences. As part of our Quality of Business™ approach, we work with management and strategic advisors to review and present our findings in the most efficient manner to minimize client interruptions and surprises, and discuss the potential impact of our findings to ensure you are well positioned to drive value for your stakeholders in a transaction.



Experience and commitment to quality

- ▶ BDO brand and experienced team enhances credibility and puts sellers and their advisors in control of the sale process
- ▶ Detailed industry and sector-specific analyses focus potential buyers and their advisors on key deal issues
- ▶ Findings from the sell side due diligence highlight issues, limit surprises, and reduce risks



Key benefits of sell-side engagements

- ▶ Flexibility in the use of deliverables / reports
- ▶ Internal use recommendations and objective credibility
- ▶ Follow-on discussions with internal and external parties (e.g., investment committee or financing sources)
- ▶ Updates and roll forwards of key analyses in the report
- ▶ Identification of potential synergies to market to buyers and operational risks that need to be mitigated to minimize value erosion

Outcomes

BUY-SIDE DILIGENCE

Buyer drives the process

- ▶ Better control of deal flow
- ▶ Fewer post-deal surprises
- ▶ Higher likelihood of the deal achieving its objectives

Manages risk

- ▶ Identify issues that impact valuation
- ▶ Pinpoint critical success factors
- ▶ Improve certainty about the business and cash flow

SELL-SIDE DILIGENCE

Seller keeps control of process

- ▶ Prepares seller for the due diligence process
- ▶ Seller maintains access to outputs
- ▶ Lessens purchasers driving the process
- ▶ Fewer surprises
- ▶ Prospective investors get identical information

Enhances value

- ▶ Lowers bid cost, increasing the number of bids
- ▶ Maintains competition to help maximize valuation
- ▶ Minimizes the risk of price deterioration
- ▶ Optimizes deal structure

Reduces time

- ▶ Simplifies process
- ▶ Eliminates multiple diligence needs
- ▶ Controls disclosure of commercially sensitive information

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THE BDO CENTER FOR HEALTHCARE EXCELLENCE & INNOVATION

The BDO Center for Healthcare Excellence & Innovation is devoted to helping healthcare organizations thrive, clinically and financially. We help clients redefine their strategies, operations and processes based on both patient-centric demands and rigorous best business practices—responding to the industry's new market disrupters, cost pressures and outcome-based reimbursement models.

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