

# PErspective in HEALTHCARE

A FEATURE EXAMINING THE ROLE OF PRIVATE EQUITY IN THE HEALTHCARE INDUSTRY.

**The field of telehealth—using telecommunications technology and electronic information to enhance the support and delivery of healthcare solutions, education and public health—is growing in popularity and is a promising area for private equity investments.**



Startup incubator Rock Health puts 2014 funding for digital healthcare technology companies at over \$4.1 billion—a 125 percent year-on-year increase—and claims the

pace has not slowed in 2015, with \$2.1 billion raised in the first half of the year, according to the Association of Corporate Counsel (ACC). As incubators and accelerators in the field proliferate, and as telehealth technology use increases in the healthcare industry, PE and VC interest will continue to grow, the [ACC writes](#).

Indeed, 2015 has seen some significant deal activity so far. For example, PE firm Bedford Funding's HealthTech Fund, Bedford Funding II, recently made a \$50 million growth equity investment in Florida-based virtual medical consultations provider MDLIVE. And Columbus, Ohio-based telehealth language interpretation services provider Language Access Network recently announced a partnership with Kayne Partners, the growth PE arm of Kayne Anderson Capital Advisors.

While fundraising activity has been strong so far this year, the real growth may be yet to come, thanks in part to a nationwide rise in payment parity laws and regulations. Under commercial payment statutes now in force in 29 states plus the District of Columbia, commercial health plans must provide equal coverage to medical services provided via telehealth and in person. Such laws have seen a rapid rise over the last few years, and at least half a dozen other states have similar bills currently in development, according to industry newsletter [mHealth Intelligence](#).

Growth in the sector is also being boosted by the Centers for Medicare and Medicaid Services (CMS), which has awarded states more than \$960 million

for healthcare systems via its State Innovation Models (SIM) initiative, according to legal newsletter [Law360](#). Colorado, for example, was granted \$65 million to improve access to behavioral healthcare, by integrating primary care and behavioral healthcare payment and data systems, [Healthcare Dive](#) reports. Such grants, aimed at helping states develop innovative healthcare payment and delivery solutions, are turning more heads toward telehealth services, which can offer a cost-effective way to improve patient access to the care they need. Initiatives like these are driving up demand for telehealth, creating more health tech sector opportunities for PE firms.

We are nearing the “end of the beginning” of this process. Telehealth services are neatly aligned with major healthcare transformation initiatives, including the need to improve post-acute care and urgent care models, and driving patients to the right care in the right setting to drive down costs. The rise of payment parity laws, SIM grants and the general increasing use of digital technology to deliver and improve services in the healthcare sector are creating an environment that is ripe for PE investment.

*PErspective in Healthcare is a feature examining the role of private equity in the healthcare industry.*



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