

Q4-2016 Health Plans Update



Market Overview

Uncertainty among the state of the Affordable Care Act in the broader healthcare landscape has served as a significant hindrance to consolidation activity in the health plan arena, coupled with payers navigating enrollment of Medicare/Medicare Advantage lives in the fourth quarter. With the recent election results, discussions on plans for the repeal of the Affordable Care Act have begun. However, a full repeal of the act is a burdensome task with hurdles that would take several years to implement and leaving only tweaks to the legislation as a possibility in the short-term. Regardless of the outcome, Medicare Advantage plans are expected to benefit from the election results, as more Medicare patients are anticipated to be pushed into privately-run Medicare Advantage health plans. As it relates to consolidation activity, health plans will see increased activity in 2017 whether that occurs through mergers among the largest players and/or larger players acquire smaller organizations to expand patient population coverage. WellCare Health Plans (NYSE: WCG) is emerging as a very active participant in the acquisition activity, having made a significant acquisition of Universal American Corp (NYSE: UAM) for \$600 million in the fourth quarter. Universal American controls 114,000 Medicare Advantage lives and expands WellCare's platform to New York and Texas. Provident anticipates accelerated activity from other market participants in 2017, leading to a significant shift in the landscape of the health plan sector.

Public Company Valuations

Select Public Trading Multiples (as of 12/30/2016)

Company	Ticker	EV (MM)	EV/REV	EV/EBITDA
UnitedHealth Group	UNH	176,376	1.0x	12.8x
Anthem	ANTM	52,108	0.6x	9.4x
Aetna	AET	45,164	0.7x	7.6x
Cigna	CI	37,518	1.0x	10.3x
Humana	HUM	26,995	0.5x	9.7x
WellCare Health Plans	WCG	3,170	0.2x	5.1x

Note: information is sourced from Capital IQ

Selected Transactions

Month	Acquirer	Target Company	Details
December 2016	WellCare Health Plans (NYSE: WCG)	Phoenix Health Plan / Tenet Healthcare	WellCare announced the acquisition of Phoenix Health Plan, a subsidiary of Tenet Healthcare. Phoenix Health Plan provides benefits to more than 50,000 Medicaid beneficiaries in Arizona. Financial terms of the deal were not disclosed.
		Care1st Health Plan Arizona / Blue Shield of California	WellCare completed the \$157.5 million acquisition of Care1st Health Plan Arizona, a subsidiary of Care1st Health Plan and operating division of Blue Shield of California. The acquisition will serve as WellCare's entrance into the Arizona Medicaid managed-care market.
November 2016	WellCare Health Plans (NYSE: WCG)	Universal American (NYSE: UAM)	WellCare completed the \$600 million acquisition of Universal American, a Medicare Advantage payer that controls 114,000 patient lives. This acquisition will expand WellCare's geographic coverage to the Texas and New York market.
October 2016	Trusted Health Plans	Harbor Health Plan / Detroit Medical Center	Trusted Health Plans, a Medicaid HMO based in Washington D.C., has acquired Harbor Health Plan, a Medicaid HMO and subsidiary of Detroit Medical Center, for \$16 million. Harbor Health Plan controls 8,500 Medicaid lives in the greater Detroit market.