Provident Perspectives:
Tailwinds Driving Investment in Payor Services

The payor services sector has been recognized as one of the fastest growing sectors in healthcare services and is seeing a corresponding influx of investment that is expected to continue for the next several years

Provident Healthcare Partners

January 2022

Introduction

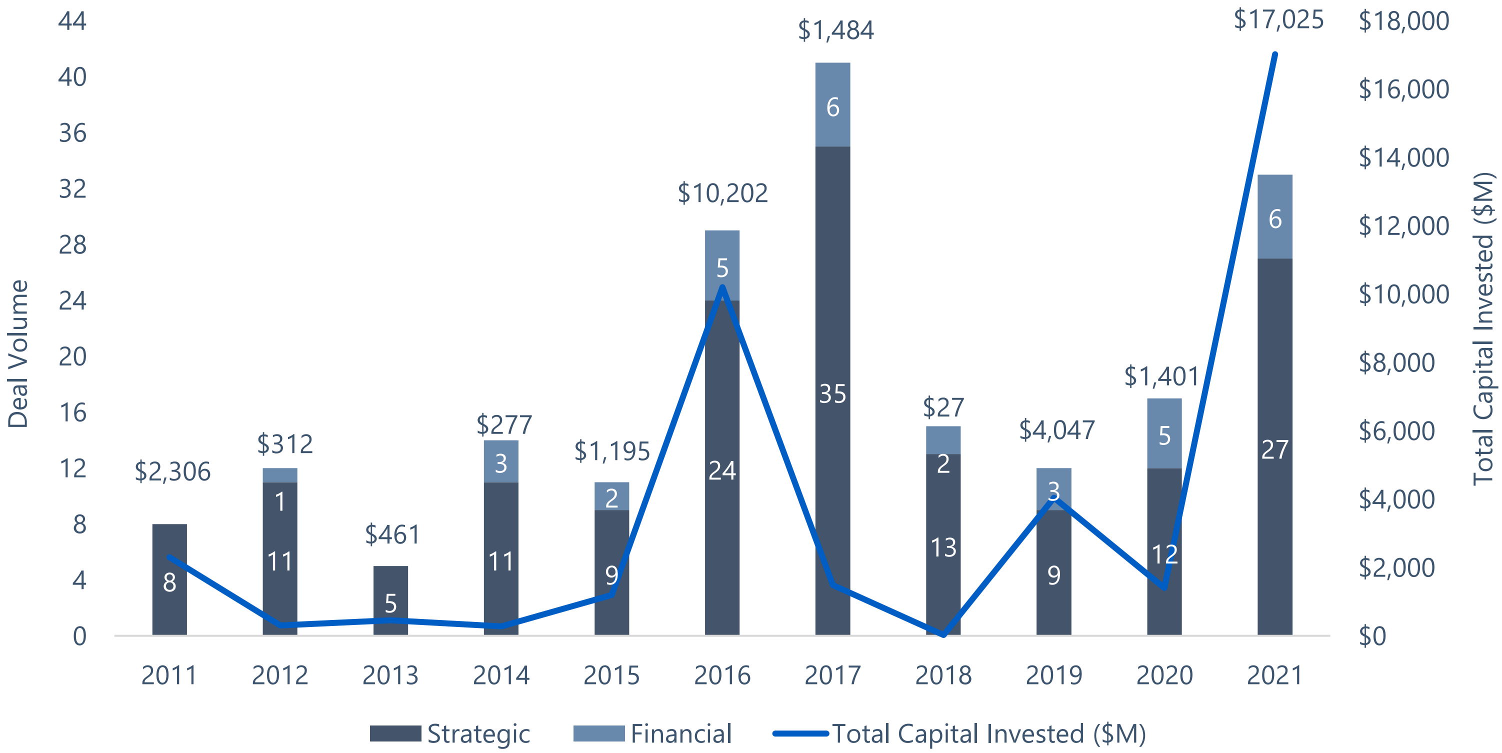
The payor services sector is benefitting from a variety of tailwinds, ranging from regulatory changes to technological improvements. The sector is expected to grow at a CAGR of 24.1% over the next seven years, amounting to total sector revenue of $13.3 billion before 2030. Payor services can be segmented based on the solutions offered, including ancillary benefit management, cost containment, IT services, and medical review. These solutions provide payors with the leverage to grow their topline without exposing their net earnings to increased costs.

Payor services providers have a high potential for growth and a minimal risk profile, driving interest from private equity investors and strategic acquirers, such as healthcare IT companies and payors themselves. Tailwinds driving demand in the sector have led to increased deal flow as shown below; 2021 outpaced the past three years resulting from invested capital and deal volume. Provident believes transaction activity within payor services will continue to accelerate over the next several years.

Sector Dynamics

- *To address inefficiencies within the payor landscape, companies have developed technology-enabled services that allow clients to streamline work, improve efficiencies, and grow earnings*
- *Provident has identified several key drivers of growing demand for payor services:*
  - *Increasing federal healthcare regulations*
  - *Outsourcing services to improve efficiency*
  - *An enhanced focus on loss prevention*
  - *Persistence of improper and fraudulent claims*
  - *Population health management*
  - *Industry shifting to value-based care model*
  - *Rising medical costs*

Payor Services Deal Volume & Capital Invested



Source: PR Newswire; Health Payer Intelligence; Pitchbook
Transactions are recorded as of December 31st, 2021

Growing Market and Rising Demand for Payor Services

Changes to the regulatory environment force payors to respond to market trends. With calls for greater transparency and lower prices, it's difficult to maintain margins. Payor outsourcing services are a cost-effective solution to these problems. Companies who can quantify and deliver on the highest return investment will succeed.

Federal Healthcare Regulations

As government increases regulations, complexities will follow. The current and past administrations have issued mandates surrounding price transparency, executive orders to lower the price of drugs, and bans on certain billing practices to improve compliance. Furthermore, Provident sees a push by large provider groups to increase public payor reimbursements to compensate for inflation. As the industry reacts to changes affecting prices and consolidation, outsourced services will be invaluable for maintaining compliance and reduce administrative costs.

Outsource Services to Improve Efficiency

Outsourcing auxiliary services allows companies to maintain profitability. Payor services companies efficiently manage non-core operations of clients. Done properly, payor services companies will present clients with quantifiable return on investment.

Payor's Enhanced Focus on Loss Prevention

Given compressed margins, even marginal reimbursement changes accumulate impacts on solvency. Payors are more focused on preventing avoidable losses than ever before.

Persistence of Improper and Fraudulent Claims

Payors lose billions of dollars annually to fraudulent claims and improper billings. In fact, within the worker's compensation industry, the National Insurance Crime Bureau estimates fraud and improper billing of approximately $7.2 billion.

Population Health

Population health refers to health outcomes related to groups of people, not just individuals. As payors look to cut costs, payors will work with companies dedicated to providing cost-effective solutions to solve widespread health issues. By improving the health of enrollees, payor services companies can reduce the frequency and size of medical expenses.

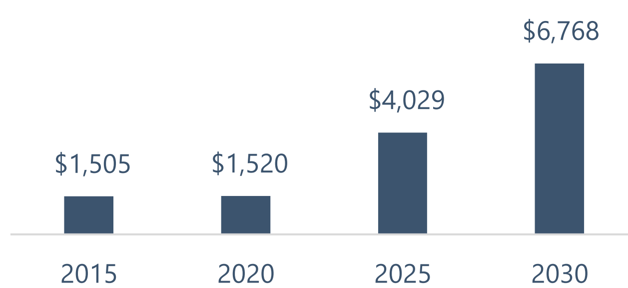
Shift to Value-Based Care

Value-based care results from more complex payment systems and a need for advanced data tracking capabilities. Payors will need to upgrade their IT systems and use specialized workers, such as IT network experts and data scientists, to handle large and complex data sets. Meanwhile, providers are increasingly utilizing expensive precision medicine to take advantage of genomic data, meaning payors will have to reimburse at higher rates. In fact, 25% of payors claim that the primary reason they haven't adopted a value-based care reimbursement system results from a lack of IT infrastructure. Provident expects payor services companies to grow alongside this payment trend at over a 16% CAGR over the next decade.

Rising Medical Costs

Medical costs are undoubtedly rising as a result of the severity of claims, not quantity. The severity of claims risen as much as 40% in some industries. Payor services companies can offset the increase in costs by proactively managing high-cost enrollees and negotiating down their related costs.

Global Size of Value-Based Care (*in millions*)



Payor Services Solutions Overview

Payors without robust systems will struggle to maintain market share as their competitors continue to increase investment in outsourced services. We classify such outsourced services into four major categories based on solutions: ancillary benefit management, cost containment, IT services, and medical review. These verticals work together to streamline payor operations, standardize service quality, and improve management of costs and regulations.

Ancillary Benefit Management

Ancillary benefit management manages the cost, quality, and complexities of ancillary medical services. Companies offer services to clients, including public and commercial payors, worker's compensation payors, third-party administrators, state and government entities, and municipalities. These services improve utilization management, increase optimization, provide detailed bills, measure vendor performance, and reduce unit costs.

Cost Containment Solutions

Cost containment solutions allow payors to leverage advancements in technology. These solutions lower costs for payors by performing claims analysis and automating administrative functions. Cost containment companies help their clients reduce costs by lowering utilization rates, responding to critical conditions, enhancing automation, and predicting costs. Based on the clients served, cost containment consolidators may prefer certain geographies for regulatory reasons and business model criteria.

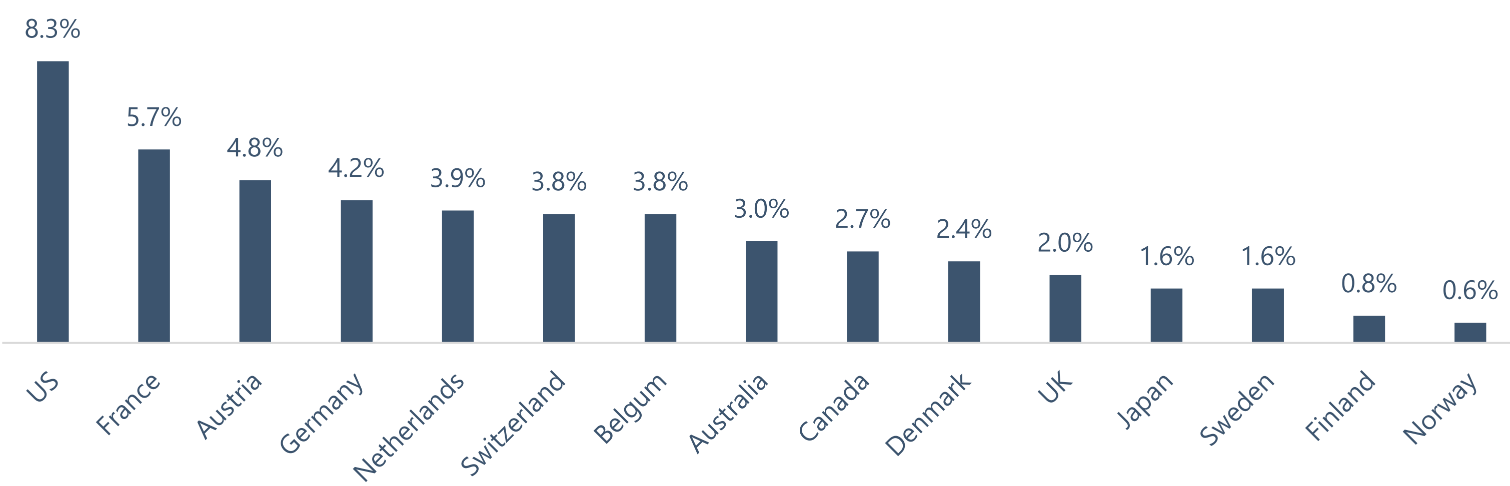
IT Services

IT services companies work with payors and healthcare IT companies to augment staff, train and retain talent, improve IT networks and security, transition between technology platforms, and to build a variety of tech-enabled systems.

Medical Review

Medical reviews are also critical within payor services. Often, payors will dispute a provider's course of treatment of a patient. This prompts an independent review organization (IRO) to review the original medical claim. Then, following clinical reviews and peer-to-peer discussions, the IRO will provide a final recommendation. Additionally, some proactive payors will request a utilization review. By investing in high-end technology and a network filled with experienced providers, medical review firms provide services that allow payors to better manage their work volume and response times.

<u>Administrative Costs as a Percent of Total Healthcare Spending (2016)</u>



Source: HCL Tech; PR Newswire; Investopedia; Markets and Markets; Biospace.com; Everest Research Group

Payor Services Solutions Overview *Continued*

	Ancillary Benefit Management	Cost Containment	IT Services	Medical Review
What services are provided?	• Ensure patients receive the most appropriate care and treatment • Manage costs and utilization of pharmacy and ancillary benefits	• Administrative work, document management, compliance, etc. • Case management • Develop PBM, PPOs, TPAs	• Augment IT staff • Develop a PMO • Improve IT systems and network security • Integrate software (EHR, RCM, etc.) • Retain talent • Train future experts	• Independent medical reviews • Peer review • Prior authorization • Utilization review
What type of clients are served?	• Public and commercial payors	• Public and commercial payors • Providers	• Public and commercial payors • Healthcare IT companies	• Public and commercial payors • PBMs, TPAs, MCOs, and HCOs • Case managers • Providers • Patients
How is revenue generated?	• Centralization of management • Provide price transparency • Quantifiable savings with improved outcomes	• Adjusting coinsurance • Offering high-deductible health plans and health savings accounts • Offering virtual care, such as telemedicine • Performing claims analysis • Shift costs to employees	• Provide clients with temporary, right-to-hire, and permeant staff placement • Understand technical requirements, strategic goals, IT initiatives, project timing, and corporate culture	• Provide recommendations about proper treatments • Settle disputes between payors, providers, and patients
What value is added?	• Detailed and accurate bills • Free-up claim professionals • Maximize network penetration • Optimize utilization • Reduce spending and unit costs • Vendor performance analysis	• Decrease utilization rate • Drives return on investment • Improve automation • Predict costs • Proprietary provider and network relationships • Reduce spending	• Connect clients to technically skilled employees • Customize training programs • Ease transition between software • Find potential employees	• Control client's work volume and streamline operations • Leverage better technology • Objectivity • Reduce spending • Quick turnaround time
What trends are driving the vertical?	• Increased insurance enrollment • Increased worker's benefits during labor shortage	• Enhanced focus on loss prevention • Increasing numbers of incorrect billing and fraudulent claims • Rising healthcare costs	• Growing importance of IT network size, adaptability, and security	• Increasingly complicated billing processes

Source: HCL Tech; PR Newswire; Investopedia; Markets and Markets; Biospace.com; Everest Research Group

Consolidation Drivers within Payor Services Industry

Strategic acquirers and private equity firms have invested in payor services with increasing momentum. Outlined below are the leading consolidation and investment rationale within the sector.

Consumerism

Patients' desires are shifting to become wholly involved in their healthcare decisions. 75% of patients consider healthcare decisions to be the most important and expensive decision, which puts pressure on healthcare companies to increase transparency. 70% of payors believe plain language explanation of benefits, simplified invoicing, and online appointment scheduling will improve patient satisfaction. However, most payors do not yet have a fully developed consumer centric strategy. Utilizing the benefits of outsourced administrative services will be critical in helping payors quickly adjust their business model to fit this healthcare trend. An example of consumerism as a driving transaction motivation is Optum's acquisition of Change Healthcare, a technology enabled services company with a focus on patient and member engagement.

Fragmented Industry

Given the difference in regulation surrounding worker's compensation and auto plans, the market is extremely fragmented. Within each vertical, there are hundreds of payor services companies with proprietary physician networks and loyal customers. Typically, these companies offer significant revenue synergies to consolidating partners. Industry fragmentation is underscored by Medlogix's acquisition of Michigan Evaluation Group, a company with a regional focus that garnered interest due to their specialization in a geographic niche.

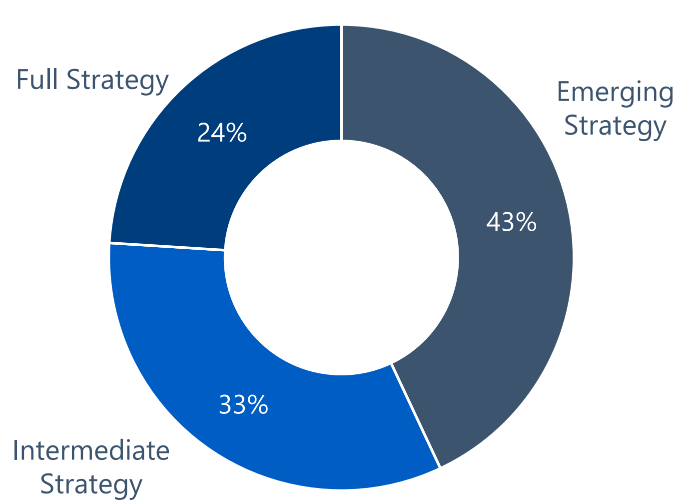
Desire to Expand Customer Base

As payor services companies scale, one efficient way to expand the customer base is through acquisition. By finding a partner who has attractive clients and proven retention, acquirers can instantly grow their customer base and avoid a long sales process. Strategic partners can also cross-sell supplementary services to retained customers. Valenz's acquisition of Kozani is successful because Valenz retained Kozani's customers and can cross-sell similar services.

New Payor Strategies Accelerated by the Pandemic

As COVID-19 subsides, some realities are here to stay, such as telehealth. While many patients return to in-person appointments, patients in underserved communities, such as rural areas, will likely continue to use virtual services. Payors are still adapting to reimbursement related to telehealth. For example, Blue Cross and Blue Shield of Tennessee was the first payor to announce that it would make its waivers permanent for in-network telehealth visits, and most states have loosened regulations. Another lasting impact is gene therapy, which was considered as a potential vaccine against COVID-19. Payors will thus create new payment models for gene therapy treatments, including value-based incentives. For a payor to be agile and respond to uncertainties of a dynamic healthcare market, it is important to have an efficient and streamlined operations. The merger between Apervita and Qcentive highlights the up-tick in demand to consolidate vale-based payor strategies.

Payor Executives With Consumer Centric Strategy



M&A Activity in Ancillary Benefit Management

Ancillary benefits are secondary benefits offered by employers that alleviate expenses many overlook within healthcare, such as ambulance rides, drugs, and certain medical supplies. Ancillary benefits are becoming more popular as the upsides are valuable, such as reduced medical costs and employees' ability to use pre-tax income to pay for the premiums.

Recent increase in demand is a strong tailwind for the sector, as managing the cost and utilization for these benefits expensive to many payors. To differentiate themselves, ancillary benefit managers must be transparent with prices, centralize their work, and deliver quantifiable results.

Given current pressure in the labor market for more benefits, Provident expects increased transaction volumes.

Recent Representative Transactions and Rationale

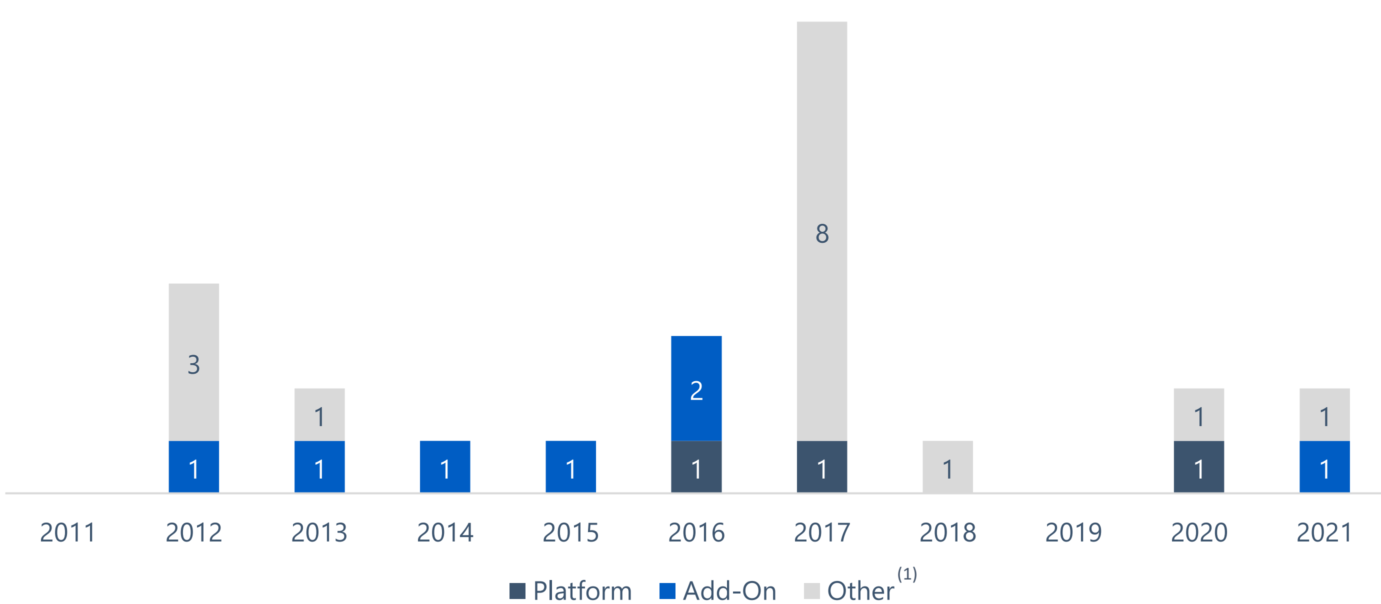
Magellan HEALTH	PriorityCareSolutions NEW DIRECTIONS IN THE CONTINUUM OF CARE	Quantum HEALTH
Has been acquired by	Has been acquired by	Has been acquired by
CENTENE Corporation	genex	Great Hill PARTNERS

Magellan Health augments Centene's capabilities within the mental health space

Priority Care Solutions offers services complementary to Genex's disability management

The investment in Quantum Health marks the creation of Great Hill's platform

Ancillary Benefit Management M&A Volume



Source: Everest Research Group; HCL Tech
(1) Other includes independent strategics and publicly traded strategics

M&A Activity in Cost Containment Solutions

Recent regulatory reform, improved population health management systems, quantifiable ROIs, and new virtual care technology are driving demand for cost containment solutions.

Cost containment companies offer diverse services to their clients, including independent medical exams, case management, pharmacy benefit management, MSP compliance, PPOs, bill review, document management, and TPAs. By offering high deductible health plans and health savings accounts, payors can cut costs. These companies also perform claim analysis, adjust coinsurance, and encourage virtual care such as telemedicine. Offering a diversified suite of solutions will improve a company's value proposition, benefit the client, and lead to better results and patient outcomes.

Recent Representative Transactions and Rationale

VERISYS

Has merged with

Aperture Health

Using funds from

STONE POINT CAPITAL

The two companies leverage similar technologies in different markets to create a platform

CHANGE HEALTHCARE

Intends to be acquired by

OPTUM

Change offers a valuable technology to be leveraged by Optum

The Columbus Organization

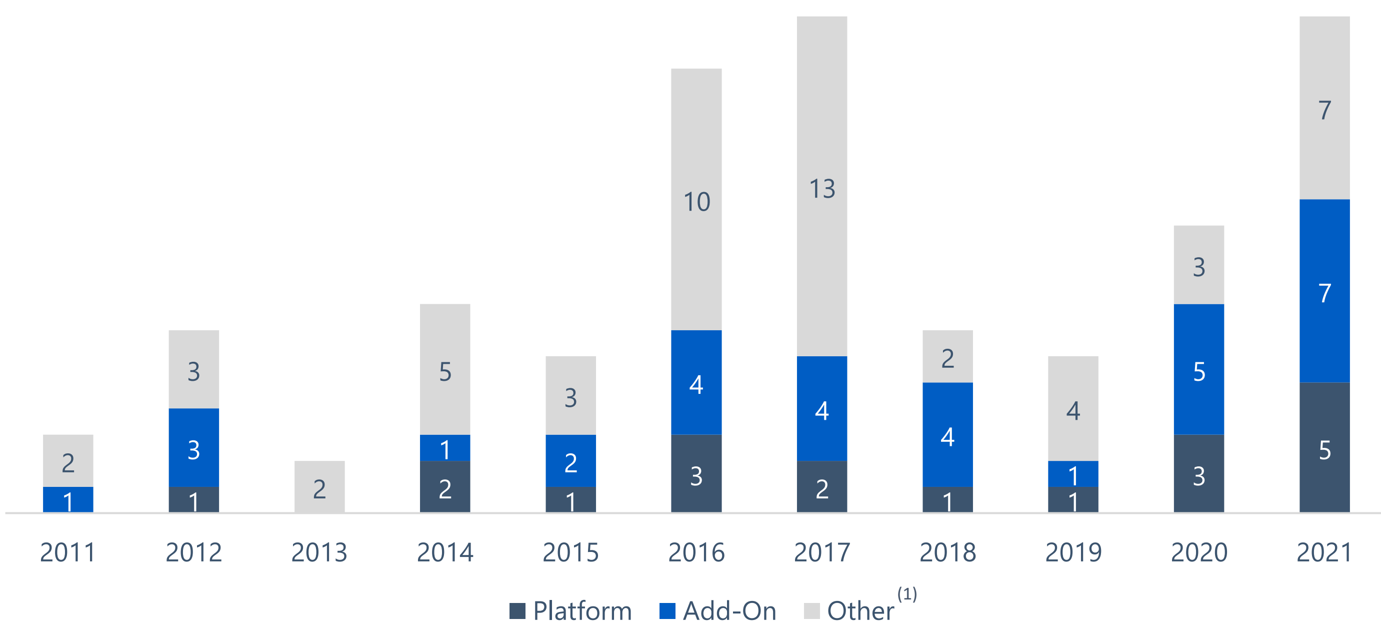
Because everyone deserves a meaningful life®

Has been acquired by

CareSource

The Columbus Organization expands CareSource's offering to include I/DD and case management services

Cost Containment M&A Volume



Source: Everest Research Group

(1) Other includes independent strategics and publicly traded strategics

M&A Activity in IT Services

As technology improves, payors must maintain modern IT networks for efficiency and to prevent increased cyberattacks. Maintaining a workforce with the proper skills is vital to any modern healthcare payor.

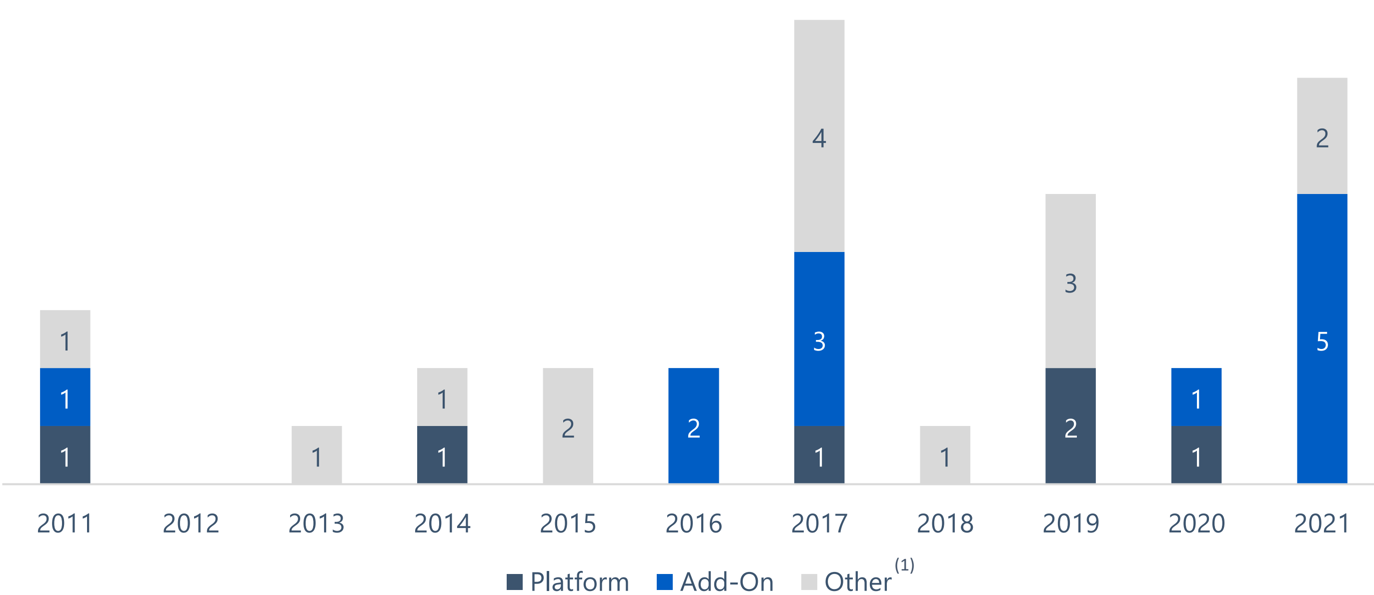
Certain payor services companies specialize in IT services. They recruit talented IT professionals and offer introductory and continued development. Some companies offer IT consulting services to help payors build and maintain IT networks and security systems.

Following the recent adoption of virtual learning, this vertical has unique tailwinds that allow smaller payors to rapidly gain size and scale by remotely training their IT staff.

Recent Representative Transactions and Rationale

sdlc partners	DataDimensions	ciox
Has been acquired by	Has been acquired by	Has merged with
CitiusTech	THOMPSON STREET CAPITAL PARTNERS	DATAVANT
A portfolio company of		A portfolio company of
BPEA Baring Private Equity Asia		NMC New Mountain Capital LLC
As an add-on, SDLC brings enhanced technology to a private equity backed platform	DataDimensions has partnered with Thompson Street as a platform	The add-on will help ease the difficulties of fragmentation within health data

IT Services M&A Volume



Source: Everest Research Group; HCL Tech
(1) Other includes independent strategics and publicly traded strategics

M&A Activity in Medical Review Solutions

Medical review companies have experienced higher demand for their services from industry tailwinds, such as complicated regulations and transparency enforcement.

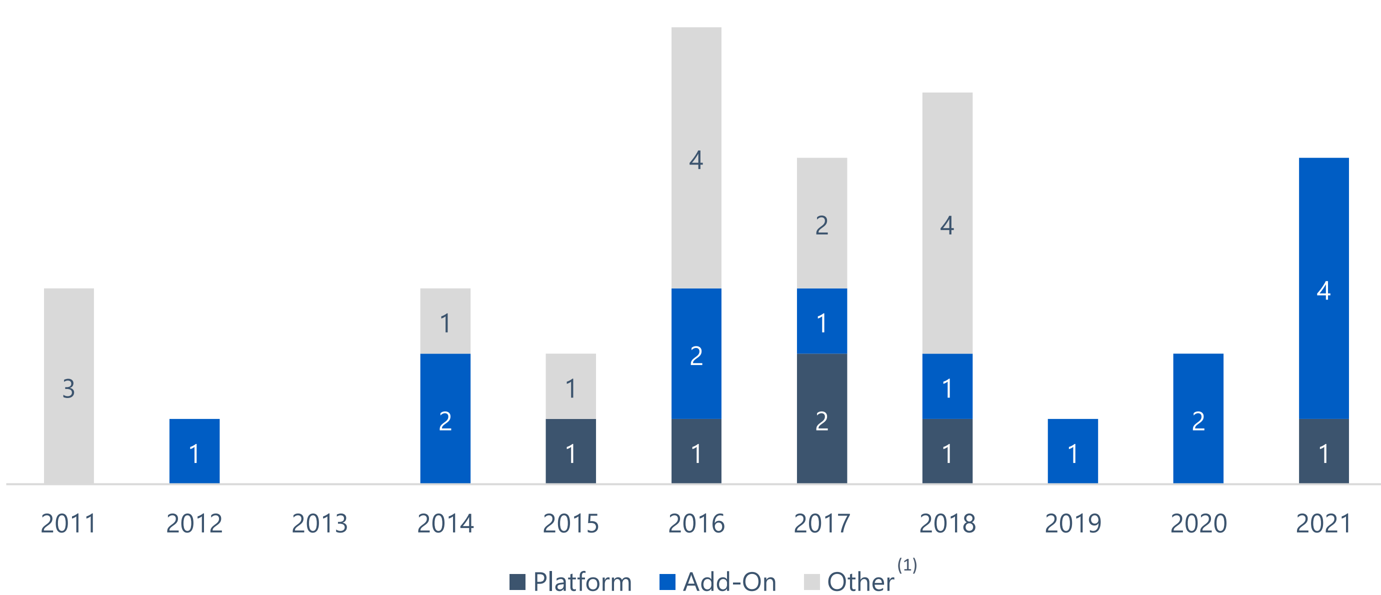
Clients of medical review companies consist of public and commercial payors, providers, or even individual patients.

These companies engage in independent medical exams, which are complex medical cases resulting from the client and another party disagreeing on the course of medical treatment, or the treatment is simply denied by the payor. They will also determine appropriateness of medical treatment prior to the service, known as utilization management.

Recent Representative Transactions and Rationale

iMEDECS Independent Medical Expert Consulting Services Has been acquired by Kepro A portfolio company of Apax Partners	ExamWorks Has been acquired by CVC Capital Partners	Orchard Has been acquired by IMA The IMA Group A portfolio company of Centre Partners
The acquisition of IMEDICS allows Kepro to improve certain service offerings	CVC's platform ExamWorks has been active in consolidating the medical review vertical	The add-on of Orchard Medical enhances The IMA Group's geographic coverage

Medical Review M&A Volume



Source: Everest Research Group; HCL Tech
(1) Other includes independent strategics and publicly traded strategics

Payor Services Market Map

Ancillary Benefit Management

- Universal Benefit Solutions
- Quantum Health
- myMatrixx – An Express Scripts Company
- Pacific Resources – a new way of seeing
- PriorityCareSolutions – New Directions in the Continuum of Care
- Centene Corporation
- PMOA – The Circle of Care
- Magellan Health

Cost Containment Solutions

- Icario
- Change Healthcare
- ontellus
- Med Advantage
- ooda Health
- AmeriBen
- Verisys
- argos health
- Equian – Part of Optum
- The Difference Card
- SmartData Solutions
- renalogic
- Mede/Analytics
- Centauri Cares
- Aperture
- Apixio
- CompAlliance
- consova
- enli Health Intelligence
- Medal
- ChipRewards
- coventry

IT Services

- sdlc partners
- edifecs
- CompuClaim
- Datavant
- symplr
- cobius Healthcare Solutions
- MRO
- FlexTech – an emids company
- Phynd
- InstaMed – a J.P.Morgan company

Medical Review Solutions

- iMEDECS
- Central Drug System
- ExamWorks
- Kepro
- Integrity
- ECN – Exam Coordinators Network
- sedgwick
- provant health – life. changing.
- genex
- MCN Medical Consultants Network
- MES Solutions
- PsyBar
- Orchard
- California Medical Evaluators CME
- EvaluMed
- IMA – The IMA Group
- DrugScan
- EvoNational – Independent Medical Specialists

Deal Spotlight: Magellan Health and Centene Corporation

Magellan Health is a provider of healthcare management services to commercial and government-sponsored healthcare plans. The company focuses on special populations and other complex areas of healthcare, such as long-term services and support, focusing on mental health treatment. The business is divided into three segments: Magellan Healthcare, Magellan Rx Management, and Magellan Federal. Their healthcare group offers mental health treatment and diagnostic imaging. The Rx Management segment is a leading PBM system. Magellan Federal provides services to members of the military. By providing certain population health services and managing ancillary benefits of the most expensive populations, Magellan helps lower costs across the healthcare spectrum.

Centene Corporation is a managed-care organization focused on government-sponsored healthcare plans. Centene focuses its services on uninsured, underinsured, and low-income individuals.

Centene entered into an agreement to acquire Magellan on January 4, 2021, for $2.2 billion, making this one of the largest payor services deals ever. This deal will have several strategic and financial benefits. First, it improves Centene's offerings within the mental health space and more generally, deepens its offerings within complex patient populations. Second, the transaction augments Centene's technology systems. Furthermore, the scale of both companies allows for a better integrated health solution that provides better care at a lower cost. The acquisition creates value for shareholders of both companies because Magellan will be purchased at a 14.7% premium over its share price and will provide cost synergies and new growth opportunities for Centene. The acquisition was taken favorably by the market as Centene's stock rose over 12% following announcement.

The transaction was announced at an opportune time. Over 40% of Americans are struggle with mental health and the sickest 5% of the population accounts for 50% of healthcare spending. Magellan's services target to improve these numbers and a strategic partnership will assist them.

Magellan HEALTH

Has been acquired by

CENTENE Corporation

Magellan Health	
Enterprise Value	$2,200,000,000
Revenue	1,185,000,000
Revenue Multiple	*1.9x*
EBITDA	143,000,000
EBITDA Multiple	*15.4x*

Centene Corporation	
Stock Price: 12/31/2020	$60.03
Transaction Announced 1/4/2021	
Stock Price: 1/6/2021	$67.66
Stock Price Appreciation	*12.7%*

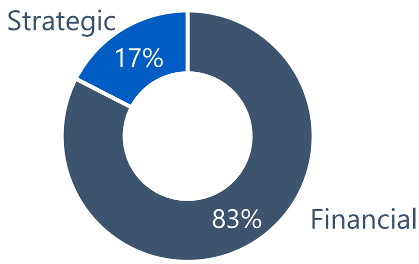
Source: Fierce Healthcare; Healthcare Finance News; Centene.com

Recent Consolidation in Payor Services

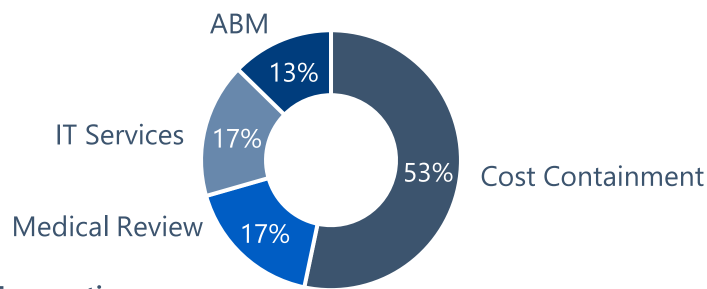
Provident believes there is a substantial opportunity to gain market share through financial and strategic partnerships. The interest in accessing proprietary physician networks, expanded client lists, and cross-selling opportunities has been drivers of consolidation.

We expect continued interest in building private equity backed platforms to take advantage of strong tailwinds for the foreseeable future.

Payor Services Transactions by Buyer (*Since 2011*)



Payor Services Transactions by Solution (*Since 2011*)



Select Payor Services Transactions

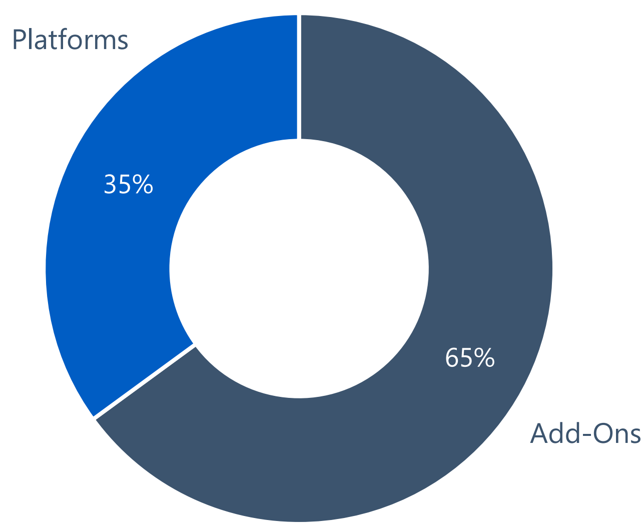
Deal Date	Target Name	Acquirer	Sponsor (if applicable)
	Ancillary Benefit Management		
Jan-21	Coastal Occupational	Akeso Medical Holdings	Kain Capital
Jan-21	Magellan Health	Centene Health	n/a
	Cost Containment Solutions		
Dec-21	Wellframe	HealthEdge	Blackstone
Dec-21	Client Network Services, Inc.	The Carlyle Group	n/a
Oct-21	Smart Data Solutions	Parthenon Capital	n/a
Nov-21	Welltock	Virgin Pulse	Marlin Equity Partners
Nov-21	Columbus Group	CareSoruce	HealthEdge
Nov-21	The Columbus Organization	CareSource	n/a
Aug-21	Confidio	RxBenefits	Advent International
Jul-21	STAT Revenue	Healthcare Financial Resources	Housatinic Partners
Jul-21	Med Advantage	Verisys Corporation	n/a
Jun-21	Verisys Corporation	Aperture	Stone Point Capital
Jun-21	KenSci	Tegria	n/a
Jun-21	The Difference Card	Northlane Capital Partners	n/a
Jun-21	ChipRewards	Icario	CVC Capital Partners
May-21	OODA Health	Cedar	n/a
Mar-21	Renalogic	Carrick Capital Partners	n/a
Feb-21	Casenet	Zyter	n/a
Jan-21	Change Healthcare	Optum	n/a
	IT Services		
Jun-21	SDLC	CitiusTech	Baring Private Equity
Jun-21	Ciox	Datavant	Sixth Street Partners
Mar-21	Cobius Healthcare Solutions	MRO	Parthenon Capital Partners
Mar-21	CompuClaim	Lock8	Level Equity
Mar-21	Cumberland Consulting Group	Tegria	n/a
Feb-21	Phynd Technologies	Symplr	Clearlake Capital Group
	Medical Review		
Dec-21	Ascential Care	Acrisure	Ares Management
Jun-21	Orchard Medical Consulting	The IMA Group	Centre Partners
Jun-21	Examworks Group	CVC Capital Partners	n/a
Apr-21	Independent Medical Expert Consulting Services	KEPRO	Apax Partners
Feb-21	EVOnational	The IMA Group	Centre Partners

Source: Pitchbook.

Private Equity Platform Investments in Payor Services

Private equity firms have utilized an aggressive "buy-and-build" strategy within their payor services platforms. Platforms account for approximately 1/3 of all private equity acquisitions. The past four years have seen substantial appetite for building platforms with add-on acquisitions. On average, there are two add-ons per platform created in the past decade. This provides mid-sized payor services companies substantial opportunity to pursue a private equity backed transaction regardless of their scale required of a platform. The past five years have seen an increase in the ratio of add-ons to platform investments. As the sector becomes more consolidated, Provident expects the trend to continue. Private equity firms will maintain this buy-and-build strategy as secondary investments increase.

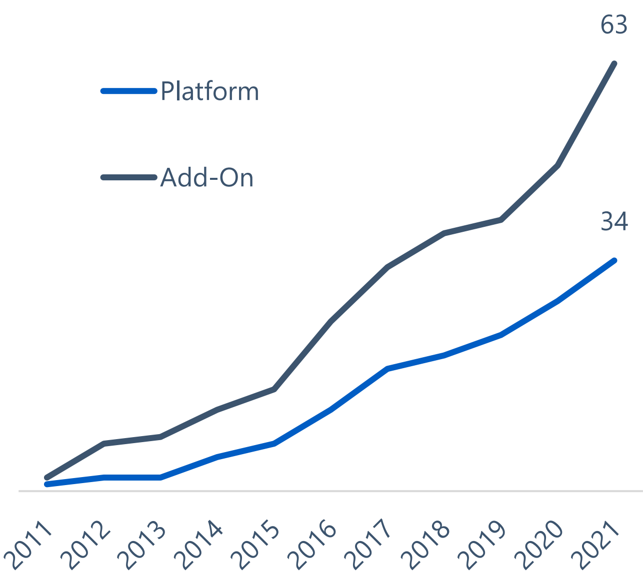
Private Equity Acquisitions by Type (*Since 2011*)



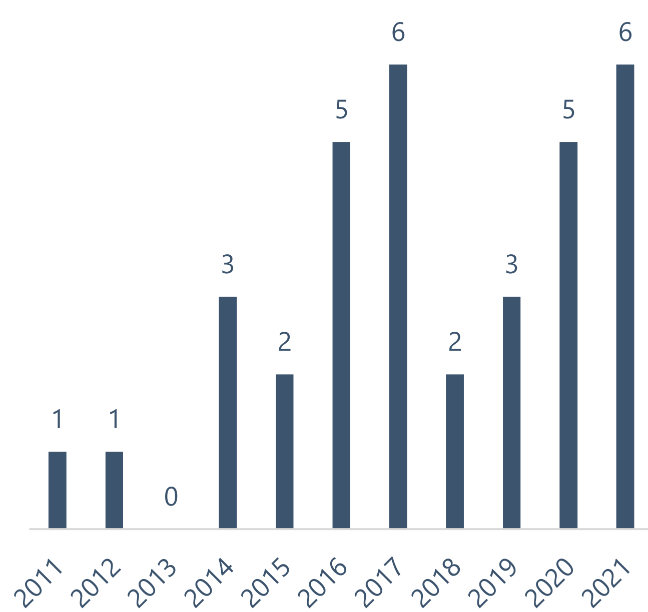
Select Private Equity Firms with Payor Services Platforms

ABRY PARTNERS
CARRICK Investing more than capital®
THE CARLYLE GROUP GLOBAL ALTERNATIVE ASSET MANAGEMENT
CVC CAPITAL PARTNERS
JLL Partners
NCP NORTHLANE CAPITAL PARTNERS
PARTHENON CAPITAL
THOMPSON STREET CAPITAL PARTNERS

Cumulative Count of PE Platforms and Add-Ons



Annual Count of New Payor Services PE Platforms



Source: Pitchbook.

Private Equity Investment's Impact on Payor Services

Recognizing the growth drivers of the sector and value proposition, private equity firms have increasingly sought after platform investments in the payor services industry with the goal of facilitating an organic and acquisition-led growth strategy. An important consideration when partnering with a private equity firm is ensuring strategic alignment in order to have a cohesive post-transaction relationship. The right private equity sponsor aligns their incentives with a company's management team, leading to a long-term and mutually beneficial partnership.

Scaling past a regional level is paramount for payor services groups. Depending on the market for the service, statewide regulations may create barriers of entry for companies not prepared to learn the intricacies of certain insurance practices. However, these local companies could be vital pieces in a private equity platform's national growth strategy.

The consolidation of payor services also provides cost synergies. For example, a platform company will either develop its own IT systems or have an enterprise subscription. The add-on companies can leverage that IT system to realize instant savings.

This has led to the trend of mid-sized payor services companies selling equity to a platform company to secure economies of scale, improve infrastructure, and experience a partial liquidity event. Private equity investments can lead to a multitude of opportunities for operators looking to grow their businesses organically and inorganically.

Private Equity Investment Benefits on the Payor Services Sector

Private Equity Model Incentives		Resultant Outcome
Augment existing infrastructure and back office to support additional growth vectors	→	Improved back-office infrastructure and support
Adhere to higher quality service offerings due to increased competition	→	Quantifiable ROI and improved customer retention
Grow geographically to expand customer base	→	Diversification of revenue with regional hubs of regulatory expertise
Realize synergistic value through the addition of contiguous service lines	→	Emphasis on expanding service offering and entering new markets

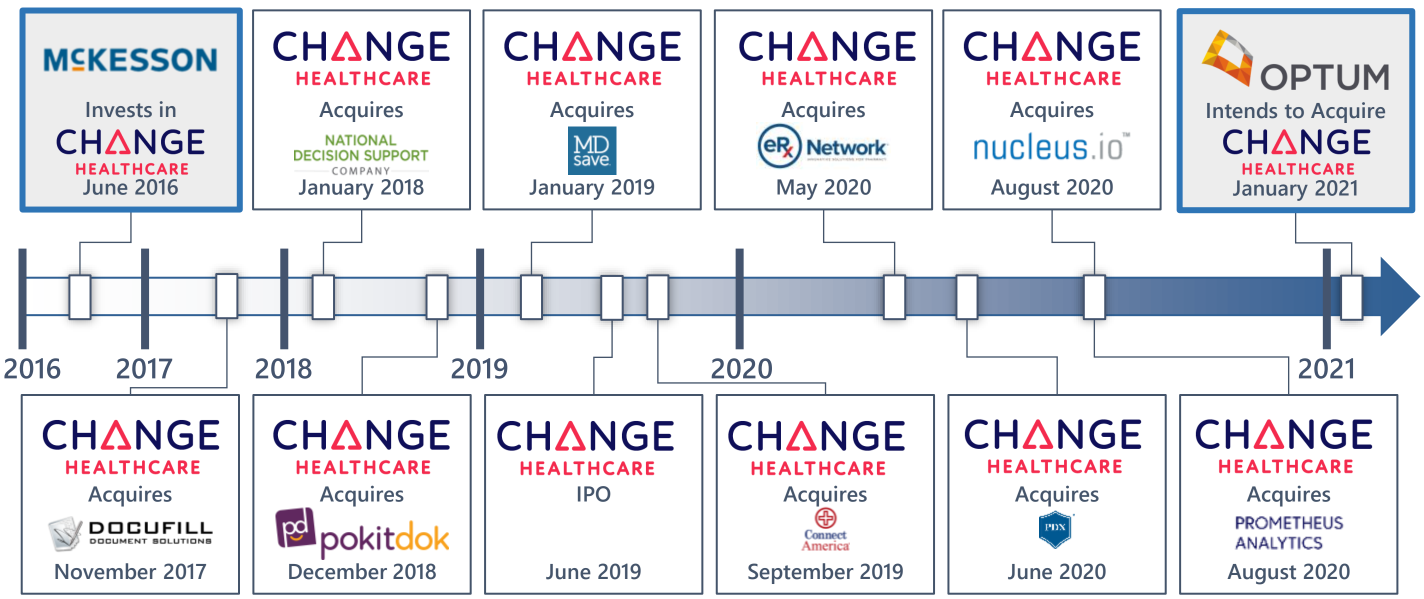
Case Study: Change Healthcare

Change Healthcare is a market leader. Much of its success results from acquiring smaller companies within a fragmented sector. Change Healthcare had several acquisitions prior to 2016 and remained active following McKesson's 2016 investment at a $6.36 billion valuation. The acquisition augmented Change's ability to acquire companies and provided McKesson with proprietary services. This illustrates healthcare companies looking to vertically integrate with those in payor services. Following a mid-2019 IPO, Change used its raised capital to enhance its acquisition strategy.

In early 2021, Optum, owned by UnitedHealth, announced intent to purchase Change at $13.0 billion valuation. Over the past five years, the value of Change more than doubled, resulting from integrating within the payor services sector. The transaction is expected to close in the Spring of 2022 following regulatory requests.

Change Healthcare is one of many payor services companies to leverage a partnership to grow. Whether it is a strategic or financial partnership, leveraging the backing of another company to grow through add-on acquisitions is a proven way to increase a company's value.

Change Healthcare Investment Timeline



Other Change Acquisitions

Altegra Health, Capario, Vieosoft, TC3, EquiClaim, Chapin Revenue Cycle Management, enclarity, HMS Healthcare Management Solutions, LLC, FV Technologies, TSG The Sentinel Group, Interactive Payer Network, vips, MedifaxEDI

Source: Pitchbook.

Concluding Thoughts

For the last ten years, the payor services sector has consolidated as demand for its services and increasing adoption from payors has driven significant investment. The past year has seen uniquely high deal volume and invested capital. Investors are realizing the benefits of outsourced companies that reduce clients' costs, streamline their operations, standardize service quality, and manage regulatory requirements.

In the wake of the coronavirus pandemic, increasing financial hardship will support the need for payor services. Provident expects payor services companies expand and adapt their service offerings to meet current and future needs of healthcare payors and other clients.

Additionally, payor services companies will increase their range of services as a full suite of service offerings combined with proven customer retention is the best way to drive value for owners. Through strategic consolidation, specialists can become a one-stop-shop for their clients. Nothing points to a shift in this dynamic as single service offering companies are either acquired or forced to expand.

Amid the changing landscape of payor services, the team at Provident remains up-to-date on all transactions, trends, and challenges that the industry is seeing. To the extent you are interested in learning more, the professionals at Provident Healthcare Partners are available to discuss market trends and consolidation.

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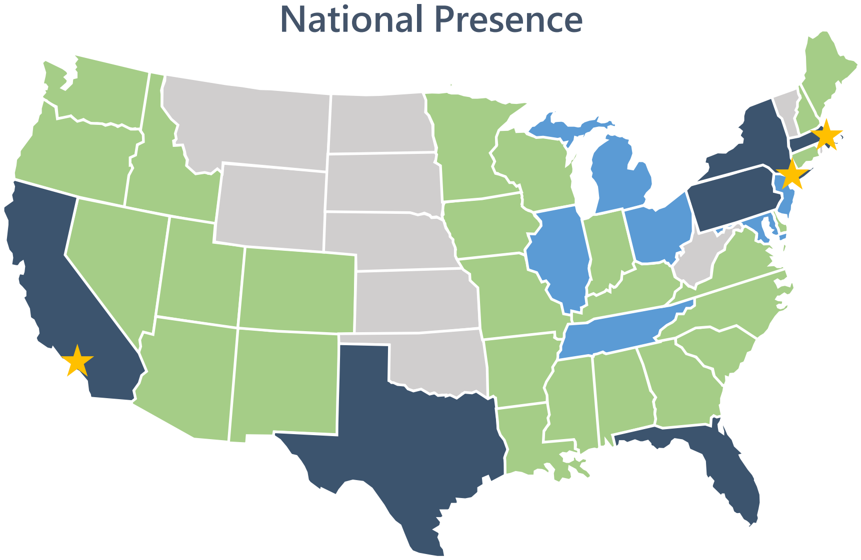
Provident Healthcare Partners

Provident Healthcare Partners' investment banking team works with privately owned healthcare companies to provide advisory services related to mergers and acquisitions. Prior to formal engagement, Provident works with companies to provide the upfront education to shareholders necessary to understand the economics, structure, and motivation of a transaction. Following the education process, if formally engaged, Provident leverages their extensive knowledge of the buyer universe to find the most compatible partner and drive valuations for a company's previously illiquid stock. Driving the entire transaction process, Provident facilitates and assists with deal structuring, negotiations, exit planning/processing, counseling amongst shareholders, and due diligence.

National Presence



1-3 Transactions

4-6 Transactions

7+ Transactions

★ Provident Office

23+	Years of Healthcare Investment Banking
155+	Healthcare Deals Closed
12-15	Landmark Deals Per Year
26	Banking Professionals

Note: The above map represents states where Provident clients were headquartered. Provident has successfully closed transactions with clients operating in 45 states and Puerto Rico.

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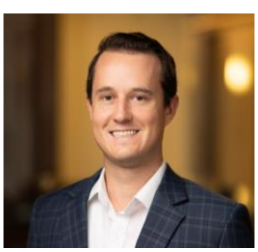

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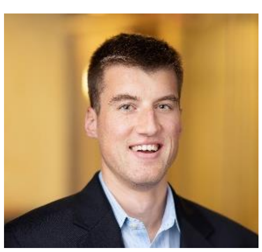

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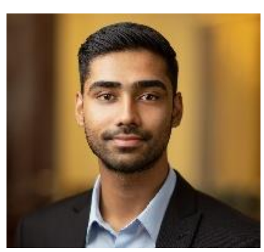

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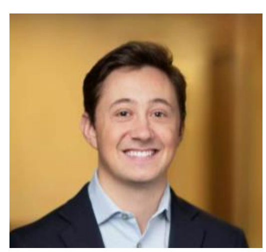

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Provident

Provident is the leading investment banking firm specializing in merger and acquisition advisory, strategic planning, and capital formation for middle-market and emerging growth healthcare companies.

The firm has a vast network of senior industry relationships, a thorough knowledge of market sectors and specialties, and unsurpassed experience and insight into the investment banking process.

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