

Q1-2023 Addiction Treatment Update

Market Update

The addiction treatment sector saw a slight drop-off in transactions during Q1, unlike the rest of the behavioral health industry. Many notable consolidators, such as Baymark Health Services, Lifespan, and Transformations Care network, have announced a shift away from a focus on M&A and are instead prioritizing internal organic growth. This is a trend we are seeing play out across the behavioral health space as rising interest rates have made M&A an expensive option for consolidators.

Looking ahead to the remainder of 2023, we anticipate a continued slowdown in dealmaking from years past. This is driven by a difficult labor environment, volatile capital markets, and a more scrutinous lending environment will all contribute to slower-paced M&A in the upcoming year.

Select Transactions:





Notable Transaction



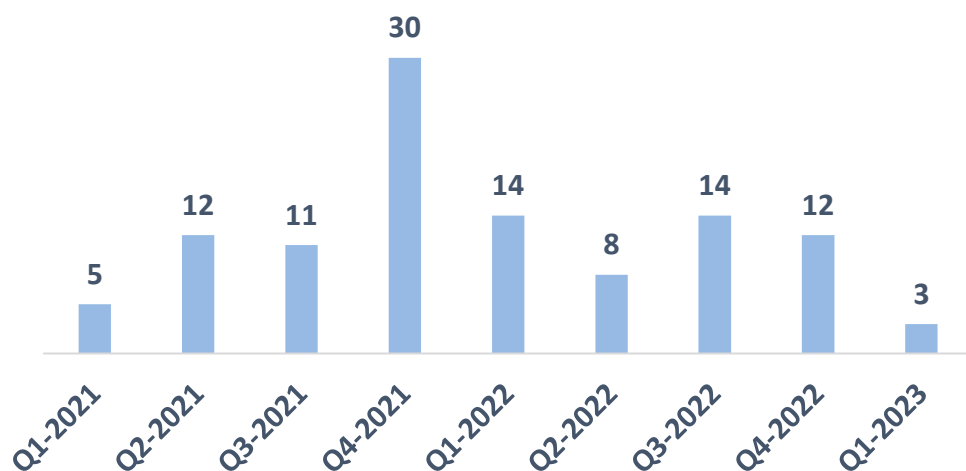
February 2023

Behavioral Health Acquisitions, a new luxury rehab-focused investment firm announced the launch of an \$85M flagship fund. The team is looking to deploy its \$85M of committed capital over the next 18 months to acquire several luxury rehabs (including SUD and mental health) throughout the U.S.. The fund's first acquisition is Maui Recovery. The eight-bed private-pay provider is a luxury rehab center in Hawaii.

Addiction Treatment Transactions

Month	Acquirer	Target	Deal Description
March	 Recovery Centers of America		Pennsylvania-based Recovery Centers of America has acquired the mental health and addiction treatment provider, Adolescent & Young Adult Advocates. Per RCA, the acquisition will help the company address early-stage addiction in outpatient settings.
January	 Lifepoint Health		Tennessee-based Lifepoint Health has acquired Cornerstone Behavioral Health El Dorado. Cornerstone Behavioral Health El Dorado encompasses 54 beds and employs about 100 people. According to the release Lifepoint Health will add 50 beds in the coming months.

Substance Use Disorder Transaction Volume



Publications and Podcasts

[White Paper: An Update on Investment and Consolidation in the Addiction Treatment Sector](#)

[Past Podcast: Analyzing Key Developments in the Behavioral Health Space](#)

Upcoming Podcast: Provident Quarterly Behavioral Health Spotlight - Addiction Treatment

Provident Addiction Coverage Team

Craig Sager
Director
csager@providenthp.com
(617) 226-4218

Steven Grassa, CFA
Vice President
sgrassa@providenthp.com
(617) 226-4213

Tommy Spiegel, CFA
Senior Associate
tspiegel@providenthp.com
(617) 226-4216

Daniel O'Brien
Associate
dobrien@providenthp.com
(617) 226-4292