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Investment Banking | Healthcare Finance | Consulting

Healthcare Deals and News – Week ending Aug 11,2023

1. Nautic Partners to acquire Tabula Rasa in \$570m deal

Healthcare company Tabula Rasa is set to be acquired by Nautic Partners for \$570m and merged with ExactCare Pharmacy. The agreement entails \$10.50 per share in cash for Tabula Rasa stockholders, a 34% premium. The combined entity will be led by Tabula Rasa's CEO, Brian Adams, with ExactCare's John Figueroa as chairman and CEO. The focus is on optimizing patient care and reducing costs, leveraging technology-enabled solutions. The deal aims to conclude by Q4 2023, subject to standard closing conditions, uniting healthcare organizations that integrate pharmacy services for better outcomes and cost reduction in complex patient scenarios. ([Link](#))

2. Danam Health, Inc. and Artemis Strategic Investment Corporation Announce the Execution of a Definitive Merger Agreement

Artemis (NASDAQ: ARTE) and Danam Health will merge into Danam Health Holdings Corp, trading on NASDAQ. Danam's healthcare ecosystem model targets prescription access, pricing transparency, cost efficiency, and patient adherence. It spans digital health, pharmaceutical wholesale, and digital pharmacy. The CEO, Suren Ajjarapu, focuses on cost reduction and better patient care. The merger aims to lead in consumer specialty pharma and medication adherence technology. ([Link](#))

3. Addvise group to acquire Ohio Based Diabetic Supplies

ADDvise Group is set to purchase Ohio-based Diabetic Supplies, a medical equipment supplier, through a share purchase agreement. The deal involves an initial cash payment of \$9.5 million, with potential additional payouts totaling \$5.1 million if Diabetic Supplies meets specific financial goals. Diabetic Supplies recorded a revenue of \$8.1 million and an EBITDA of \$3.3 million, indicating a 40.4% EBITDA margin for the 12 months ending June 30, 2023. The acquisition, funded by ADDvise's internal resources and existing credit facilities, is anticipated to enhance earnings per share in the 2023 fiscal year. The transaction is slated to conclude in early September 2023. ([Link](#))

4. Musk's Neuralink raises \$280 mln in funding led by Thiel's Founders Fund

Elon Musk's Neuralink has raised \$280 million in a funding round led by Founders Fund, with no disclosed valuation. Following approval for its first in-human trial, the brain chip startup garnered the funding, even as past reports revealed rushed animal surgeries and undue pressure for FDA approval. The experiments aimed to gather data for human trials. Lawmakers

had previously called for investigations into potential conflicts of interest in Neuralink's animal testing oversight panel. ([Link](#))

5. ReWalk Robotics to Acquire AlterG

ReWalk Robotics is set to acquire AlterG, a prominent developer of Anti-Gravity systems for neurological and physical rehab. The deal enhances ReWalk's portfolio and boosts growth prospects. AlterG's NASA-derived technology aids mobility, wellness, and performance improvement by reducing gravity's effects. The acquisition, costing around \$19 million in cash, aims to establish a robust commercial structure for various rehabilitation products. AlterG's CEO will become ReWalk's Chief Sales Officer. The transaction is scheduled for August 11, 2023, pending customary closing conditions. The move aligns with ReWalk's strategic expansion plan, bolstering financial stability and future profitability. ([Link](#))

6. Phorcys Capital Partners Acquires Dallas-Based Assisted Living Facility

Phorcys Capital Partners, LLC, along with its capital partner, has acquired a 149-unit assisted living facility in Lewisville, TX, rebranding it as The Pearl. The acquisition, valued at \$26 million, was made through a bankruptcy process where PCP acted as the stalking horse bidder. Managed by SilverPoint Senior Living, The Pearl marks the launch of Phorcys Senior Housing Recovery Fund ("SHRF"). PCP's strategy centers on distressed senior housing properties in growth markets across the US, with a focus on value-add potential. The facility will undergo a \$1.3 million investment for enhancements. ([Link](#))

7. Better Life Partners Lands \$26.5M for Virtual SUD, Mental Health Platform

Virtual behavioral health provider Better Life Partners Inc. has secured \$26.5 million in equity and options funding in its second funding round. Founded in 2021, the company focuses on virtual mental health and addiction treatment, connecting patients with local partner organizations for broader care options. Backed by F-Prime Capital Partners and .406 Ventures, it offers therapy, recovery coaching, and medication-assisted treatment. Operating in several northeastern states, the platform accepts Medicaid, Medicare, and commercial health plans. Despite a decline in digital health investments, the behavioral health sector remains well-funded. The company's board includes CEO Juliana Ekong and COO Steve Kelly. ([Link](#))

8. Havencrest Announces Formation of Outpatient Mental Health Platform

Dallas-based healthcare private equity firm, Havencrest Capital Management, has introduced its outpatient mental health platform, Deep Eddy Psychotherapy Management, LLC. Since its inception in April 2022, the platform has expanded, acquiring Dallas Counseling and Treatment Center Management, LLC, in April 2023. The combined entity, including Deep Eddy and DCTC, has become one of Texas' largest outpatient mental health platforms. With over 6,000 patients and 200 clinicians across 13 locations, the Company offers in-person and telehealth services statewide. Havencrest's partnership aims to enhance access to quality mental health care services, addressing the growing demand for mental health services nationwide. ([Link](#))

9. Medicare Advantage insurers to collect \$12.8 billion in federal bonus payments

Medicare Advantage bonus payments are set to rise to \$12.8 billion in 2023, a 30% increase from 2022 and a fourfold rise since 2015, according to KFF. These payments are meant to incentivize quality competition among insurers. 85% of enrollees are in plans receiving bonuses this year, but COVID-19 policy changes will likely impact bonuses in 2024 due to altered star ratings. Medicare Advantage now covers over half of eligible beneficiaries, while original Medicare enrollment is declining. ([Link](#))

10. Health system execs bullish on generative AI, but still lack strategy

The recent years have strained health system finances due to COVID-19, staffing shortages, and inflation. Over 50% of US hospitals ended 2022 with negative margins. However, healthcare leaders are optimistic about AI's potential to cut costs and enhance operations. Generative AI is seen as a solution to streamline processes, combat inefficiencies, and reduce clinician burnout. Future plans include predictive analytics, decision support, and more. Despite optimism, only 6% of health systems have an established generative AI strategy. Challenges include resource constraints and prioritization. To succeed, health systems must start with low-risk applications, decide on buy/partner/build approaches, funnel savings, and align AI initiatives with overarching goals. ([Link](#))

11. Senate bill would provide \$20M in funding for behavioral health EHRs

A new bipartisan bill introduced in Congress aims to enhance the integration of mental and physical healthcare by encouraging the adoption of electronic health records (EHRs) for behavioral health providers. The Behavioral Health Information Technology Coordination Act, sponsored by Senators Catherine Cortez Masto and Markwayne Mullin, and Representatives Doris Matsui and Bill Johnson, proposes \$20 million annual grants for five years starting in FY25. The Office of the National Coordinator for Health Information would oversee grants and collaborate with agencies like SAMHSA and CMS to develop EHR standards and guidance for Medicaid-driven interoperability among behavioral health providers. The move addresses the lag in technology adoption among such providers, potentially improving patient care coordination and data utilization. ([Link](#))