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2021 Health Care Program

Reactor Panel: Health Care Investments Galore: Opportunities and Pitfalls

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American Bankruptcy Institute

October 26, 2021 | Nashville, TN

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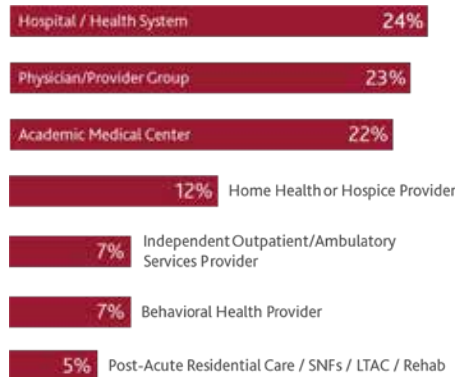
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Part I: 2021 Healthcare CFO Outlook Survey

2021 Healthcare CFO Outlook

TYPES OF HEALTHCARE ORGANIZATIONS



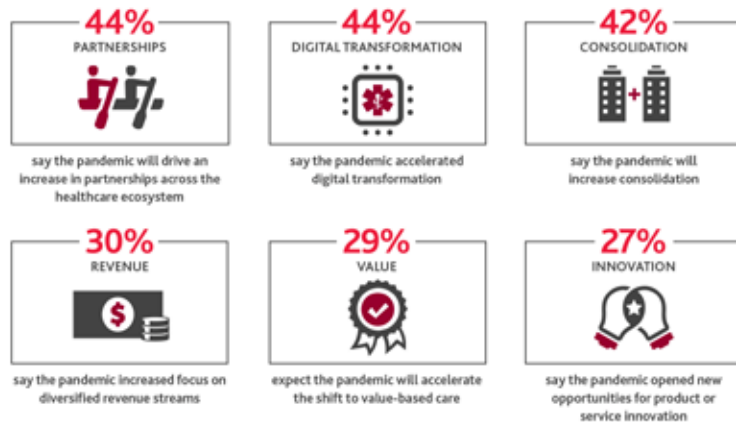
REVENUES RANGED FROM \$250M to \$3B



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The Pandemic Changed Healthcare CFOs' Outlook for the Future of Health

SIX PRIORITIES MOVING FORWARD



Revenue Will Return,
but Liquidity Is an
Immediate Challenge



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Resilience Through Distress

- The pandemic brought a financial cliff to many healthcare organizations. It also created new clarity on the importance of liquidity and what are truly essential services and operational costs.



CASH

44% say liquidity
will be a challenge
in 2021



COSTS

34% will pursue
a strategic
cost reduction



CAPITAL

90% plan to seek
outside capital



CONSOLIDATION

34% will look to optimize
their real estate
footprint

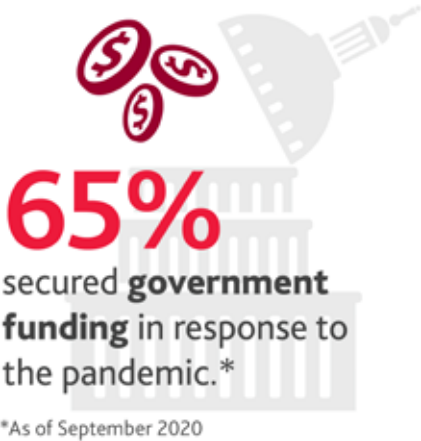
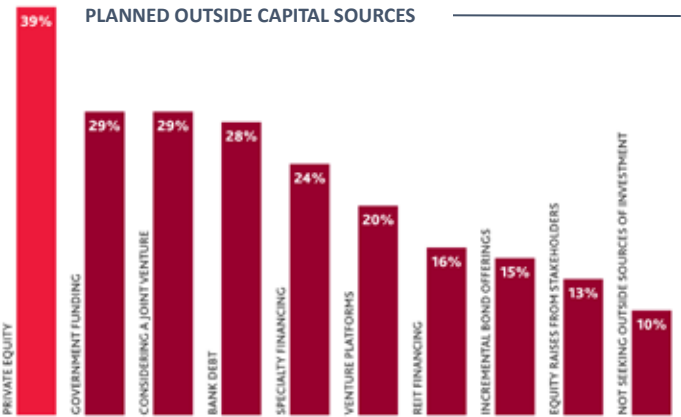
While the pandemic exacerbated some areas of distress, it's important to look critically at issues that may continue to present problems when the crisis abates. Unwieldy administrative structures, high reliance on Medicaid funding and lack of affiliation with a healthcare system should be addressed as part of any reorganization strategy.

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Preferred Source of Capital

Healthcare CFOs give an edge to private equity as a preferred source of capital, followed by government funding.



Transformation Tracks



Partnerships and consolidation



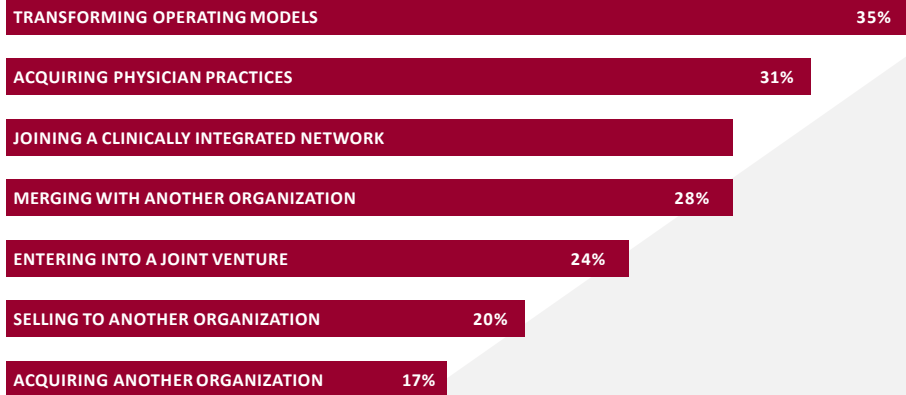
Accelerating digital health and service innovation



Restoring patient confidence

Choosing a Partnership Path Will Require Tough Decisions

• HEALTHCARE CFOs' PARTNERSHIP & CONSOLIDATION OUTLOOK



Innovation and Investment

Where CFOs plan to innovate and invest in service lines within the next 2 years



Looking ahead, healthcare organizations are hoping to fund and fuel a shift back to the primary care office as the center of health.

More than **3 in 4 CFOs** say they will invest in primary care in the next year, a notable increase over 51% who reported planned investment in primary care last year.

Telehealth's Time to Shine

• CFO's TOP-CITED CONCERNS RELATED TO TELEHEALTH



46%

Efficacy of care



39%

Consumer experience



34%

Productivity

- More than one in four healthcare CFOs say the pandemic has increased the industry's focus on opportunities in telehealth, but it is not without challenges.

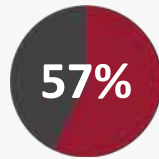
Risk in Perspective



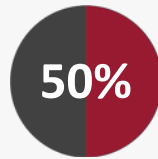
Risk in New Perspective

In context of a global pandemic, healthcare organizations' risk profile has evolved. The future of care will require new focus on patient experience, regulatory compliance and supply chain agility.

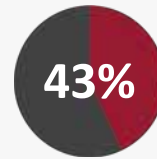
TOP EMERGING RISKS FOR 2021



restoring
patient confidence



complying with **Health Price
Transparency Act**



healthcare
reform policy

Restoring patient confidence and enhancing the patient experience have never been more challenging or more critical. But in some ways, COVID-19 has leveled the playing field. There's new opportunity for any organization to secure competitor advantage by investing in patient satisfaction.

Part II:

Where Health Care Investment Money Is Flowing—and Why

Current Healthcare Investment Topics

- **“Through” COVID**
 - Multi-site Healthcare recovered
 - Innovation
- **Politics**
 - Demonstrated support during COVID
 - Continues to support Medicaid/Programs
- **Pharma Development Investment**
- **Lot of Capital**

Resulting Healthcare Investment Themes

- **“Through” COVID**
 - Healthcare once again demonstrate resiliency
 - More investment into platforms focused on/or incorporating technology
- **Politics**
 - Now a “put” on the system
 - Medicaid as a payor not nearly as faux pas as it was historically
- **Pharma Development Investment**
 - Active consolidation
- **Lot of Capital**
 - Deals galore

Healthcare Investment Potential Pitfalls

- VALUE BASED REIMBURSEMENT VS FFS
- WITH MORE REWARD COMES MORE RISK (COMPLIANCE)
- ROLL UPS GONE WRONG
- OVER VALUED/OVER LEVERED

Part III:

Driving Forces of and Current Trends in Digital Health

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Board of Directors




Author of "Deconstructing the Telehealth Industry" (2016),
"It's Just Healthcare" (2018),
"Enabling More Clinicians to Do More Good for More People" (2020)



Relevant Telehealth Experience (Representative Deals):

- Behavioral Health: Forefront/Spring Lake/Ziegler Link-Age Fund; Regroup/Insight Merger of Equals/Financing
- Senior Living Aging & Home Solutions: Forefront; TripleCare/Curavi; ThirdEye Health; MPAC
- Digital Front Door/Access Management/Transfer Management: Doctible/PracticeTek; Central Logic/Rubicon Technology Partners; SCI/R1

Anticipate Capital Flowing to Four Main Areas of Telehealth:

1. Companies that understand the integral marriage between:
 - Social Determinants
 - Behavioral Health
 - Chronic Care Management
2. Senior Living / Aging-at-Home Solutions:
 - The telehealth sector is in the 5th inning
 - Senior living telehealth solutions are now in the 2nd inning
3. Access Management / Transfer Management
4. Virtual Clinical Trials

TWO OVERRIDING THEMES IN THE 2020 TELEHEALTH WHITE PAPER

1. Workforce Optimization: The Key Value Driver in All Use Cases

Telehealth facilitates provider **workforce optimization at all levels**, including for specialists, PCPs, NPs, case workers, social workers, and informal / family & friend caregivers.

Through the benefit of continually improving solutions embedded within existing workflows, **telehealth can drive timely, evidence-based, analytically-driven engagement to the appropriate provider** at the appropriate time.

This allows providers to consistently work at the top of their licenses.

The continued introduction of these workforce optimization tools will enable telehealth's primary goal: **cost-effectively increasing the access points of high-quality care.**

Importantly, these tools will **ease the current and future crisis of provider shortages.**



2. Meeting Patients Where They Are

We believe the next generation of successful virtual care companies will be those who understand the critical marriage between chronic care management, behavioral health, and social determinants ("**biopsychosocial care**").

In particular, there are two primary subsectors on which we place redoubled emphasis in this new white paper:

- Tele-behavioral health offerings
- Analytically-driven social determinants of health toolkits



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DRIVING FORCES FOR DIGITAL HEALTH – RAPIDLY EXPANDING DUE TO COVID-19

Characteristics of successful virtual care programs – being disruptive without being disrupting																									
Stakeholder-specific virtual care programs optimize supply & demand needs to use scarce resources most efficiently																									
Key Elements	1	Easy to use and implement	SG	AI	2	Embedded within existing workflow	SG	AI	3	Analytically-driven engagement	AI	4	Filters out the noise	AI	5	Provides timely, relevant feedback	SG								
	Program champion		Enrollment management		AI	Education and training		Visible ROI or reimbursement		AI	Care transition and Coordination tools		AI	Appropriate triage to diverse care providers		Logistics management		AI	Reporting tools		Secure, HIPAA-compliant solutions		Measurability		
Program Requirements	Enhanced patient self-management				SG	AI	Evidence-based care pathways				SG	AI	Value-based care solutions												
Creates																									
Historical barriers to virtual care adoption – significant progress made in the last several years																									
<ul style="list-style-type: none">Adoption rates lowCompeting IT department prioritiesConfusion regarding insurance coverageCostEase of useEstablishing common terminologyHard to define ROI and lack of proven ROIInconsistent ongoing complianceInteroperability challengesLack of reimbursement opportunityLack of single vendor, enterprise solutionMedical establishment resistanceMedical malpractice concernsMisaligned incentivesPoor training and implementationPrivacy and security concernsRegulatory hurdles (e.g. credentialing barriers)Slow adoption of smartphones/technology by seniorsTelecom infrastructure/bandwidth limitationsUncoordinated engagement and awareness efforts																									
Recent favorable tailwinds																									
1	AI	Growing need for more efficient care delivery models			2	Payment models are better aligned to virtual care solutions and more funding sources are available			3	Proven use cases have become standards of care			4	Favorable reimbursement trends			5	SG	Acceptance and commoditization of virtual care-enabling technologies, from smartphones to wearable sensors			6	Increasing consumerism in healthcare		
Rapidly evolving future state																									
<ul style="list-style-type: none">5G and broadband accessAligned financial incentivesArtificial intelligenceBig data analyticsEvidence-based medicineGenomic coordinationGeo-targetingMeasurable order sets and guidancePredictive analyticsSmart homesVirtual realityAnd more...																									

SG Expansion of 5G networks and broadband are of special importance

AI AI and ML have particularly great promise

ADDRESSING SOCIAL DETERMINANTS OF HEALTH (“SDOH”)



- Social factors historically underemphasized by healthcare industry stakeholders like housing, transportation, employment, community support, and local availability of nutritious food are now recognized as essential to positive health outcomes
 - According to the Robert Wood Johnson Foundation, socioeconomic and environmental factors determine up to 50% of a person's health outcomes
- Providers and health plans are taking important steps to address SDOH in response to the shift towards value-based care
 - 73% of provider executives and 53% of health plans surveyed by PwC stated their organizations have created or are creating partnerships with community stakeholders to better address SDOH factors
 - Incentive for providers and health plans to invest in analytics capabilities to identify at-risk patients based on SDOH

Substantial Opportunity for Providers and Health Plans

\$160B

Potential savings of SDOH interventions on chronic disease costs

\$1.2M

Annual savings for providers per 10,000 patients from SDOH interventions

\$36B

Observed reduction in costs from nutrition, social support, and housing SDOH interventions

SDOH Representative Names

SOCIALLY DETERMINED

- Uses data-driven, scientific approach to allow organizations to prioritize and match targeted social interventions to the specific needs of socially and clinically complex patients

NOWPOW

- “The self care referral utility,” offering a complete platform to create highly matched, shared, tracked, and coordinated referrals to close the loop in care

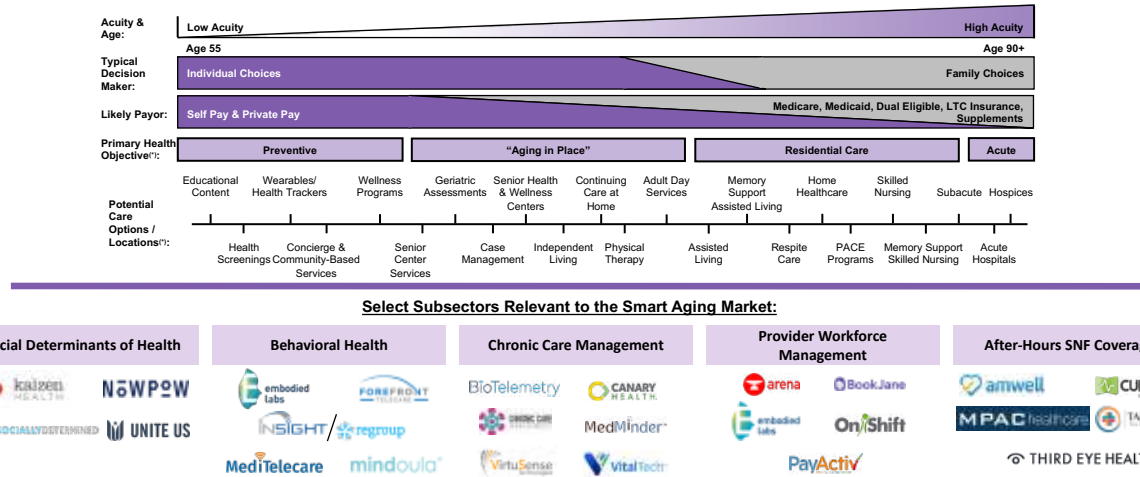
KALANIN HEALTH

- Improving community access to healthcare by providing a logistics hub for providers and patients to drive measurable results in resource utilization, quality of care, and patient/member engagement

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VIRTUAL CARE IN THE SMART AGING CONTINUUM

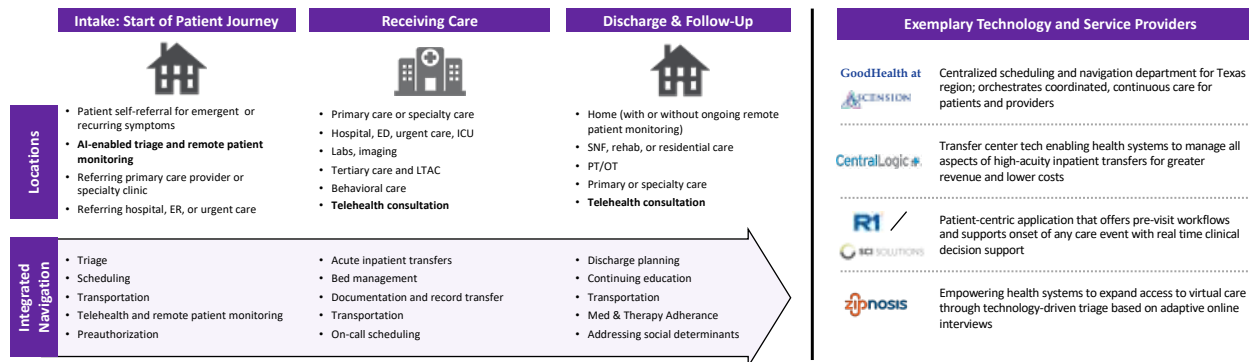
The smart aging ecosystem encompasses numerous care settings that primarily serve consumers age 55 and above. While we have highlighted below how virtual care is impacting five subsectors that are especially relevant to the smart aging market, we believe virtual care will be an integral tool across the entire the smart aging continuum, in both the near- and long-terms.



DIGITAL PATIENT NAVIGATION – SCHEDULING AND TRANSFER MANAGEMENT

Seamlessly navigating patients into, through, and out of a health system is an increasingly important capability for care providers to master as competition increases and patients continue to make more of their own healthcare decisions

- Navigating the healthcare journey can be daunting and complex – from finding the proper provider and site to receive a diagnosis, to identifying the best care for a unique case, and making lifestyle changes to prevent relapse and even finding transportation between all of these sites
- Health systems need to ensure that every patient receives personalized guidance and support to get to the resources that are best for them, elevating quality of care, reducing barriers to access, and optimizing costs as well as clinical resources
- To facilitate these improvements, health systems need to centrally coordinate scheduling in a single department, regardless of specialty, service line, or acuity: this enables harmonized, consistent care and provides patients and clinicians with a single phone number to call for any navigation needs
- Navigation centers with full control of scheduling can expand to coordinate patient transportation, manage procedure preauthorization, orchestrate patient transfers, and more, creating a one-stop shop for care coordination that eases burdens on all stakeholders
- One 2017 JAMA study demonstrated a 1:10 ROI when introducing non-clinical patient navigators into oncology treatment plans

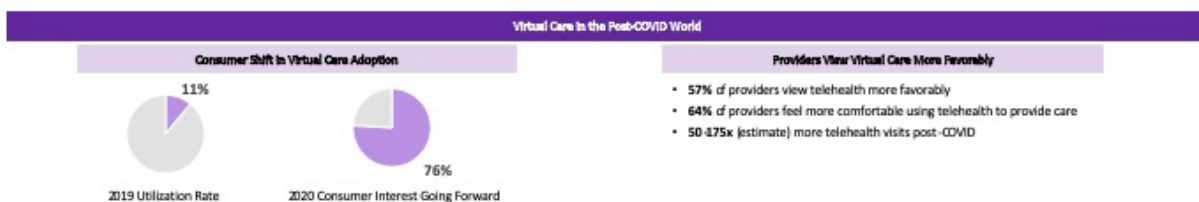
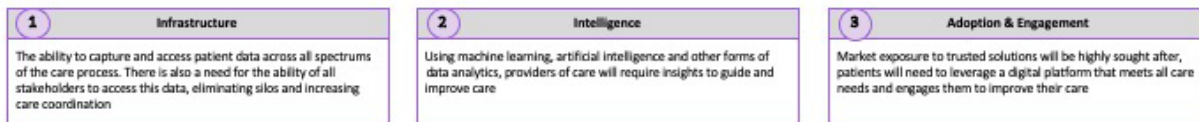


VIRTUAL CLINICAL TRIALS

Opportunities for Virtual Clinical Trials epitomizes the core principles of virtual care's mantra as expressed by ATA CEO Ann Mond Johnson: ensure people get care where and when they need it, and when they do, make sure they know it is safe, effective and appropriate while empowering clinicians to do more good for more people. For example, Virtual Clinical Trials have the ability to compassionately deliver care to trial participants and their families and dramatically increase the likelihood of a successful clinical trial



PILLARS AND LIMITS FOR THE COMPLETE DIGITAL HEALTHCARE ECOSYSTEM OF THE FUTURE



Virtual Home Health Services

- Patients and providers can leverage virtual visits, remote monitoring and digital patient engagement tools to allow for remote care anywhere, anytime and any place
- Home health care can improve connectivity with additional stakeholders delivering care
- Leveraging remote monitoring can help managing patients with chronic systems who require constant care to manage health

Risks and Limits in Using Telemedicine Technology

- Safety – HIPAA compliance issues
- Cyber Security
- Limit of engagement: Ability to really engage
- Interoperability
- Federal and state-level reimbursements
- Post-pandemic unknowns

Source: McKinsey 2020 Telehealth Study

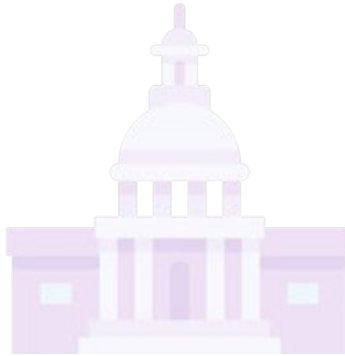
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WATCH FOR CONTINUED MOMENTUM OF FAVORABLE LEGISLATION IN THE TELEHEALTH SPACE

Federal and state policymakers will continue to engage with organizations like the ATA to implement significant telehealth policies in the wake of COVID-19

Federal Policy Priorities

- Ensure temporary flexibilities put in place during the COVID-19 public health emergency last at least through 2021, avoiding a “telehealth” cliff while working to make policies permanent
- Work with Congress to permanently remove the geographic and originating site barriers in statute and to remove the in-person telehealth provision found in COVID relief package
- Work with Congress to permanently allow FQHCs and RHCs to provide telehealth and be reimbursed fairly
- Ensure CMS continues to cover additional telehealth services
- Urge CMS to cover remote patient monitoring services in accordance with clinical practice
- Engage and educate new Members of Congress on the importance of telehealth
- Continue strong advisory relationships with the bipartisan, bicameral Telehealth Working Group/CONNECT for Health Act sponsors, congressional leadership and committees of jurisdiction
- Highlight how telehealth expansion at the federal level can be a tool to reduce social and racial disparities in health and increase access to care
- Continue work on data collection efforts to inform federal policymakers about the value of telehealth
- Provide technical assistance to Members of Congress considering telehealth legislation
- Seek opportunities for ATA telehealth champions to testify at congressional hearings



State and Local Policy Priorities

- Work with campaign members on a continuing basis to determine where, when and how the ATA should intervene at the state level
- Work with campaign members to produce a 2021 assessment of how states are doing against key metrics – and then work with state policymakers to address issues brought to light by the report
- Continue work on data collection efforts to inform state policymakers about the value of telehealth
- Engage state legislatures and state Medicaid agencies to ensure fair reimbursement and coverage parity of telehealth services
- Highlight how telehealth expansion in states can be a tool to reduce social and racial disparities in health and increase access to care
- Work with state legislatures and medical boards to ensure maximum licensing flexibility for telehealth
- Engage and educate new members of state legislatures on the importance of telehealth while continuing to engage and educate previously elected state officials
- Continue strong relationships with the state telehealth caucuses, state legislative leadership and relevant state legislative committees of jurisdiction
- Provide technical assistance to members of state legislatures, governors' offices and state executive agencies considering telehealth legislation and policies
- Seek opportunities for ATA telehealth champions to testify at state legislature hearings

Part IV: Opportunities and Regulatory Challenges in Expanding Telehealth

Opportunities for Expanding Telehealth

- Better broadband = greater opportunity for rural health improvements (this remains a work in progress)
- Value-Based Care
- Behavioral Health
- Senior Care
- Clinical Research

Regulatory Challenges in Expanding Telehealth

- Will COVID waivers/extensions be made permanent?
- State and federal payment policies – what's covered?
- Established versus new patients
- Parity for telehealth versus in-person services
- State licensing laws – who may furnish telehealth?
- Online prescribing
- Privacy and security – what technologies may be used?
- Interoperability
- Recent use of telehealth for fraudulent COVID, genetic test schemes

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Faculty

Grant Chamberlain is a managing director with Ziegler & Company in Chicago in its Corporate Finance Healthcare Practice. He has more than 20 years of investment banking experience and has advised some of the leading health care systems, including Sharp Healthcare, Cedars-Sinai and Baylor Health, along with several of the most innovative virtual-care companies, including AirStrip, MDLive, Voalte, IRIS, Forefront Telecare and Regroup. Prior to joining Ziegler, Mr. Chamberlain led the mHealth sector coverage at Raymond James, which included telehealth, remote monitoring and wireless health care solutions, after spending 15 years advising HCIT and tech-enabled outsourced services companies on a broad variety of M&A, joint ventures/partnerships and private financings. Additionally, he has completed dozens of transactions in the physician practice management space with a specific concentration in oncology, having closed more than 15 deals in that sector in his career. Prior to Raymond James, Mr. Chamberlain was a principal at Shattuck Hammond Partners, which was acquired by Morgan Keegan. He was also a part of the corporate finance group of General Electric Capital Corp. and the financial services division of GE Medical Systems. Mr. Chamberlain is an elected director of the American Telemedicine Association (ATA), the leading international advocate for the use of advanced remote medical technologies. He is also on the Board of Directors for the MAVEN Project, which uses virtual care and a network of volunteer physicians affiliated with the nation's foremost medical school alumni associations to improve health care access for underserved populations. Mr. Chamberlain received his B.A. in finance and investment banking from the University of Wisconsin-Madison.

Matthew Evans is a managing director and head of Healthcare Finance at Monroe Capital LLC in Highland Park, Ill., where he is responsible for relationship-sourcing and the origination of new business opportunities within the health care industry. He has more than 20 years of experience in health care finance. Prior to Monroe, Mr. Evans was a principal at Beverly Capital, a health care-focused private-equity firm, and he was formerly a vice president in the Healthcare Leveraged Finance group at Madison Capital, where he originated, structured and underwrote debt financing for private-equity-sponsored transactions. Prior to Madison Capital, Mr. Evans worked in Merrill Lynch Capital Healthcare Finance's leveraged lending group. He received his B.A. in economics from the University of Michigan and his M.B.A. from Northwestern University's Kellogg School of Management.

Patricia A. Markus is a partner with Nelson Mullins Riley & Scarborough LLP in Raleigh, N.C., where she represents health care providers and related organizations across the country on an array of regulatory compliance, reimbursement, licensure and operational matters, with a special focus on issues surrounding health information privacy, security and technology. She provides strategic and practical advice regarding HIPAA and other data privacy and security laws, information-blocking and interoperability requirements, telehealth and health information exchange initiatives, technology licensing and services arrangements, cybersecurity risks and data breach prevention and response, clinical research and patient care issues, and compliance and fraud and abuse matters. Ms. Markus works with physicians, hospitals, accountable care organizations, post-acute care facilities, behavioral health and substance use disorder facilities, and pharmacies on licensure and reimbursement matters, acquisitions and divestitures. She writes frequently and speaks nationally on health care topics. Ms. Markus is the current president-elect designate of the American Health Law Asso-

ciation and is a past chair of AHILA's Health Information and Technology Practice Group. A Fellow of the American Bar Foundation, she is listed in *North Carolina Super Lawyers* in Health Care and as one of the "Top 50 Women" attorneys in North Carolina (2015). In addition, she has been listed in *Chambers USA: America's Leading Lawyers for Business - Healthcare* since 2016 and in *The Best Lawyers in America* for Health Care Law annually since 2009, and in 2020 she was voted Lawyer of the Year for Healthcare Law in Raleigh. Ms. Markus received her undergraduate degree with honors in English from Haverford College and her J.D. from Boston College Law School.

Steven Shill is a partner and national leader of the BDO Center for Healthcare Excellence & Innovation at BDO USA, LLP in Costa Mesa, Calif., and a chartered accountant. He has spent more than two decades in public accounting, as well as five years in a senior management role with a publicly traded corporation overseas. Mr. Shill serves both public and privately held and nonprofit companies in the health care provider, payer and insurance sectors, including hospitals, health plans, specialty and primary care physician groups, surgery centers, urgent care centers, and various managed-care organizations. In addition to providing assurance services, he has examined feasibility studies for bond offerings used to finance new or replacement hospital developments of in excess of \$750 million, including the examination of the feasibility study for the "The Bond Buyer Deal of the Year in 2005." Mr. Shill has experience performing merger due diligence and assurance procedures, including for one of the largest hospital acquisitions in the U.S. in 2003. He is Yellow Book-certified to provide audit opinions on Single Audit and OMB A-133 engagements, and his article "Re-engineering the Turnaround Process for Healthcare Organizations" was featured as the lead article in the *Journal for Corporate Renewal*, the flagship publication of the Turnaround Management Association. Mr. Shill is a steering committee member of BDO International's Public Sector practice, which is made up of the health care, education, social welfare, and local and central government practices for BDO offices across the globe. He is a member of the American Institute of Certified Public Accountants, California Society of Certified Public Accountants and the Healthcare Financial Management Association's Southern California Chapter. Mr. Shill received his B.S. in commerce from the University of Witwatersrand in South Africa and a post-graduate Honors Degree in accounting science from the University of South Africa.