

Greenberg Advisors

M&A ADVISORY IN HEALTHCARE IT & RCM

RCM & HCIT Intel November 2024



**Why Some RCM Firms
Garner Premium Valuations**

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The subject of RCM firm valuations comes up daily in our conversations with prospective buyers and sellers. Whether you're curious about your firm's market value or considering acquiring an RCM firm and would like to understand how to value it, there are many nuances to incorporate.

We've learned over the years that many people are familiar with some factors that impact RCM valuations, but they are much less aware of which elements are most critical.

For purposes of this piece, let's assume the business has offerings and/or focuses on client segments that are attractive in today's market. What defines "attractive" varies, but it generally reflects investor perceptions of current and future market needs.

While numerous nuances exist, three main factors typically exert the most influence on valuation:

Differentiation.

An RCM firm that stands out significantly will be viewed as a rare opportunity, drawing increased buyer interest and a broader buyer pool, both of which often contribute to a competitive sale process and ultimately, a higher valuation. Differentiators may include:

- Unique offerings that are not widely available,
- Concentration in one or two specialties (e.g. behavioral health, cardiology, etc.),
- Proprietary technology that enhances speed, accuracy, and/or replaces human labor,
- A geographic focus in markets that are difficult to penetrate, and/or
- Outperformance compared to peers.

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Performance.

Growth, profitability, and scale usually lead to higher multiples. Client performance and trends are equally important. This is why client-level diligence is a key aspect of any buyer's review, allowing buyers to assess and gain confidence in the health and potential of client relationships.

While historical performance is crucial, it loses significance if buyers lack confidence in future projections, especially if they indicate significant growth. To support expected growth and predictability, tracking your pipeline and conversion rates (percentage of prospects that become clients) over time is essential. Additionally, demonstrating the frequency and success of upselling services, along with corresponding margin profiles and revenue generation of upsold services, is valuable. This kind of data is powerful. Owners who haven't tracked this information should start building their data set now.

Transferability of Performance.

In the end, it is all about this. If the firm has differentiation and strong performance but lacks a plan for transferring its success to a new owner, it will be reflected in the valuation and deal terms. This ties theoretical value to practical application. Why pay handsomely for an asset if its performance won't continue under new ownership? Key strategies for a smooth transition include retaining management and client-facing staff, as well as securing multi-year, assignable client contracts when possible. A thoughtful communication plan, potentially incorporating financial incentives for key personnel, can also motivate staff and facilitate a successful transition for selling shareholders.

To attain a premium valuation in RCM, these are some of the most crucial influences; however, many other elements also come into play, including how these are weighted — topics for another day!

About Greenberg Advisors


Greenberg Advisors, LLC (GA) is one of the most active M&A advisors specializing in Revenue Cycle Management (RCM) and Healthcare IT (HCIT) transactions.

GA's perspective provides clients with unique value that comes from a comprehensive understanding of the healthcare ecosystem, having worked with buyers and sellers in a variety of transactions across the RCM and HCIT sectors. GA's unmatched depth and its proprietary data assets prove invaluable to clients in determining the optimal path forward and maximizing their exit or investment.

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The Go-To M&A Advisor in RCM & HCIT

Our Differentiators

- ▶ Unmatched Track Record in RCM & HCIT Transactions
- ▶ Long-Term Relationships with Owners and Investors
- ▶ Proprietary Industry and M&A Data Assets
- ▶ We Treat Our Clients Like Family

Our Services

- ▶ Sell-Side M&A Advisory
- ▶ Buy-Side M&A Advisory
- ▶ Business Valuations
- ▶ M&A Planning and Strategy

Our RCM & HCIT Coverage

The firm's RCM and HCIT expertise spans nearly all care delivery methods and specialties across the following IT and service offerings, as well as many others.

Patient Access

Appointment Scheduling • Financial Counseling • Patient Advocacy & Enrollment • Patient Eligibility & Benefits Verification • Patient Engagement / Communication • Patient Finance • Patient Intake • Prior Authorization • Propensity to Pay Assessment

Analytics & Reporting

Claim Status & Denials Analytics • Clinical Analytics • Population Health • Predictive Analytics • Pricing Analytics • Revenue Cycle Analytics • Utilization Review • Value-Based Care Enablement

Payment & Reimbursement

Bad Debt • Billing • Coding • Coding Audits • Charge Capture • Complex Claims • Denials Management • DRG Review • Early-Out / EBO • Insurance Follow-Up • MVA & VA Claims • Out-of-State Medicaid • Payment Posting • RCM Consulting & Optimization • Revenue Integrity • Third-Party Liability • Underpayments • Workers' Compensation Claims • Zero-Balance Review

Enterprise Technology & Clinical Systems

Artificial Intelligence & Machine Learning • Care Coordination & Management • Claims Management • Clinical Decision Support • CRM • Digital Health • EHR / EMR • Implementation Services • Interoperability • Mobile Health • Natural Language Processing • Practice Management Systems • RPA • System Conversion & Integration • Technology Hosting & Infrastructure • Telehealth

Operations

Clinical Documentation Improvement • Compliance • Consulting • Contract Management • Credentialing • Health Information Management • Healthcare IT Consulting & Implementation • Practice Management & Marketing • Spend Management • Staffing • Transcription

Payor Offerings

Care Coordination • Consulting • Cost Containment • Fraud, Waste, and Abuse • Member Engagement • Payment Integrity • Payor Workflow Tools • Quality Improvement • Risk Adjustment • Rx Spend Management

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