



Business Valuation
& Advisory

Industry Update

Healthcare Services Industry

June 2016



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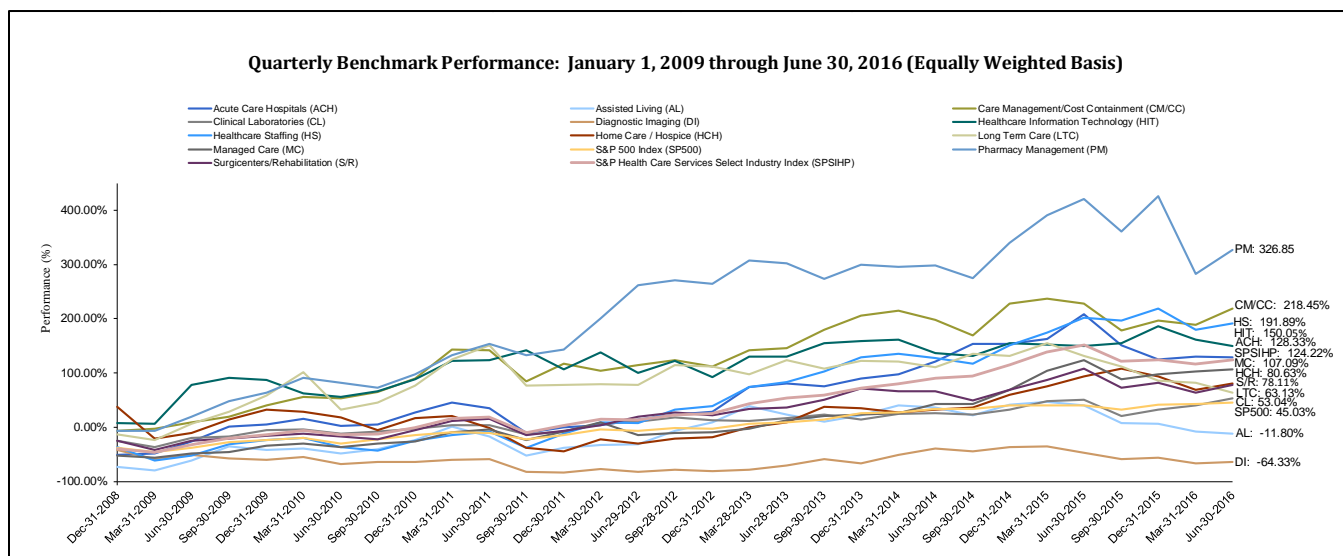
* This publication is also available in soft copy on the MPI website: <http://www.mpival.com/resources.html>.

Industry Overview

This publication focuses on major events, developments, and trends within the following segments of the Healthcare Services industry:¹

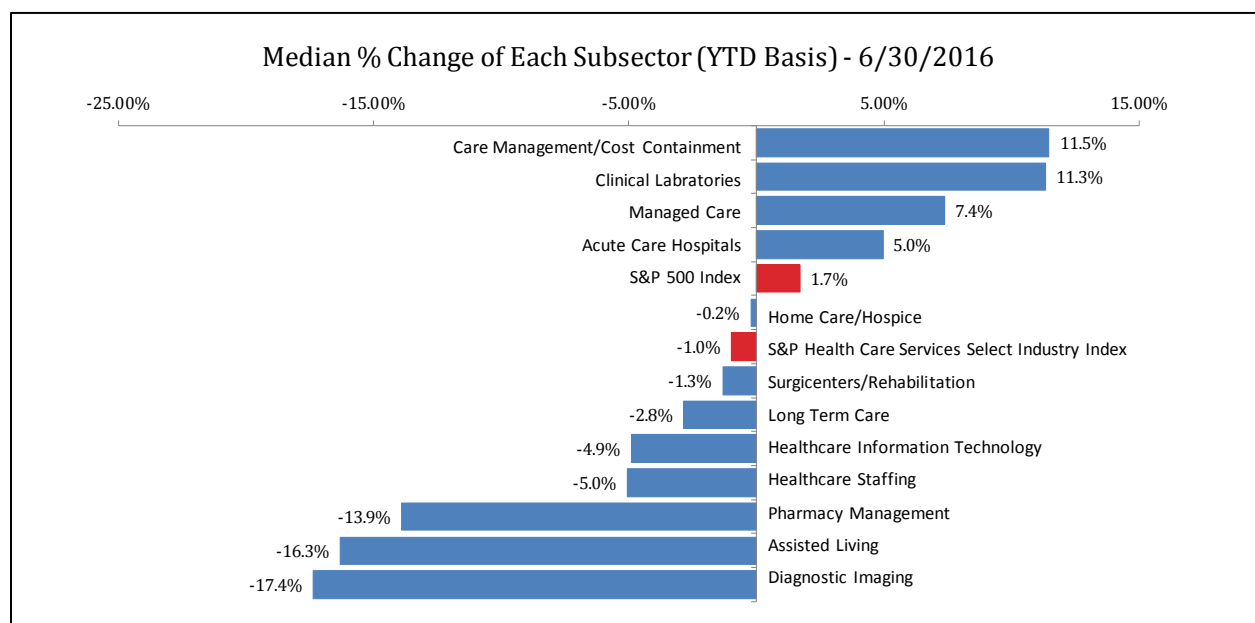
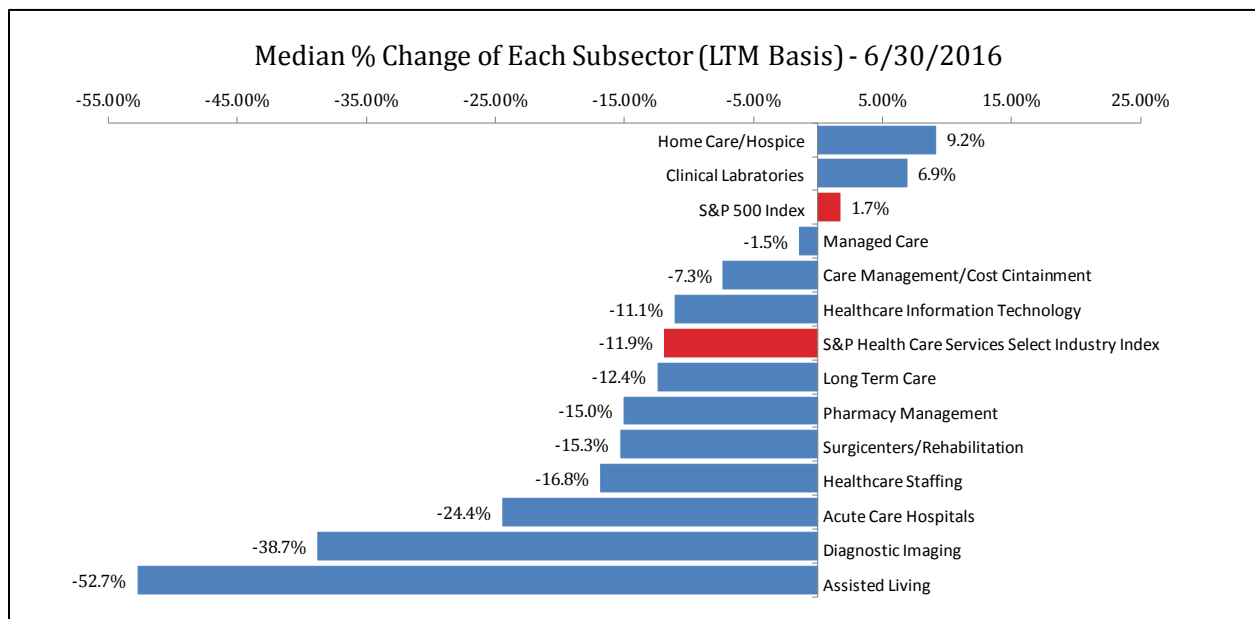
- Acute Care Hospitals
- Care Management/Cost Containment
- Diagnostic Imaging
- Healthcare Staffing
- Long-Term Care
- Pharmacy Management
- Assisted Living
- Clinical Laboratories
- Healthcare Information Technology
- Home Care/Hospice
- Managed Care
- Surgicenters/Rehabilitation

Hospitals, doctors, and public-health officials are pushing patients to keep track of their medical data, seek preventive care, and stay on top of chronic conditions. They're measuring how motivated patients are to manage their own health and adopting a wide range of strategies to help them do better, a concept known as patient engagement. The federal government, for instance, is promoting new initiatives to give millions of Americans access to their medical records online, so patients can use them to better manage their health. Providers, meanwhile, are mining those records to find patients who aren't compliant with their regimens or missing preventive care, and nudging them to take action. In addition, new mobile applications help clinicians keep a closer eye on patients' progress in things like diet and exercise. Driving this effort is a pressing shortage of doctors that leaves medical teams scrambling to provide the care patients need, even as more people develop chronic conditions like diabetes that need regular attention. Meanwhile, costs are soaring while the choices patients face over insurance coverage are getting more complex and demand much more informed decisions. (Source: *Wall Street Journal*)



¹ Brief descriptions of each segment of the Healthcare Services industry can be found on pages 13 through 15 of this report.

Industry Overview (cont.)



- The S&P Healthcare Services Index has decreased by 11.9% over the latest twelve months and by 1.0% over the latest six months. With an increase of 9.2% the home care/hospice segment in the last twelve months has exhibited the strongest performance. Care management/cost containment increased by 11.5% since January, giving it the strongest performance year-to-date. The worst performing segment was assisted living, down 52.7% in the last twelve months and 16.3% year to date. The Affordable Care Act continues to be a source of volatility for the sector, as legal challenges continue. Containing costs also remains a high-profile issue, and increased government involvement could mean a more challenging environment for parts of the industry.

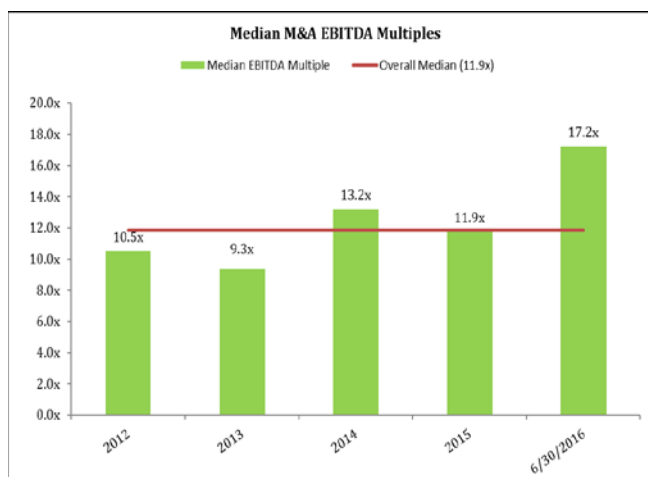
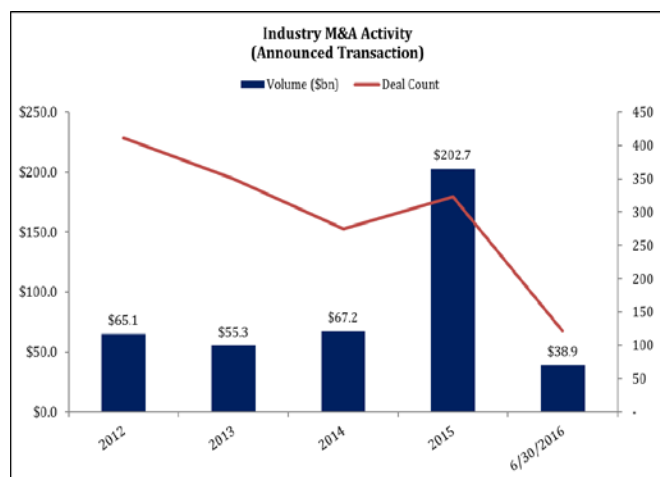
In The News...

- **2016 Health Care Providers Industry Outlook:** Technology-enabled care can help providers meet health and value-based care goals as the industry shifts from volume to value, but the key to connected health's effectiveness is knowing who will be motivated by it and why. The biggest issue in 2016 for health care providers both worldwide and in the U.S. continues to be cost containment, says Mitch Morris, M.D., vice chairman and U.S./Global Health Care Providers leader for Deloitte Consulting LLP. Responding to ongoing regulatory changes, pursuing opportunities for consolidation, and continuing to address health care access and affordability will also keep providers busy in the year ahead. (WSJ CIO Journal, 1/26).
- **Donald Trump Releases Health Care Reform Plan:** Donald Trump laid out for the first time how he will reform the U.S. health care system after repeatedly pledging to "repeal and replace Obamacare with something much better." Trump published a seven-point health care reform plan that calls for repealing Obamacare, breaking down state barriers that prevent the sale of health insurance across state lines and making individuals' health insurance premium payments fully tax deductible. The reforms, which Trump calls "simply a place to start," are aimed at broadening access to health care, making health care more affordable and improving the quality of care, according to the plan published on Trump's campaign website. Trump also called in his health care plan for eliminating the individual mandate, which under Obamacare requires all Americans to have health insurance and which Trump suggested he was in favor of less than two weeks ago. (CNN Politics, 3/3)
- **A Big ObamaCare Exit:** UnitedHealth Group reported a terrific first quarter, with strong performance across nearly all business lines. There was one exception: The conglomerate's insurance exchange unit raised its projected Affordable Care Act losses for 2016 to \$650 million from \$525 million, after booking \$475 million in red ink last year. CEO Stephen Hemsley said ObamaCare's instability, small market size and costly patient population "continue to suggest we cannot broadly serve it on an effective and sustained basis." It was stated that UnitedHealth will withdraw to "only a handful of states" in 2017. If UnitedHealth departs all markets, the number of U.S. counties served by three or more ObamaCare insurers will fall to 48% from 64% today, while the counties with a single insurer will rise to 24% from 7%. These trends could lead to even larger premium spikes than the new ObamaCare normal. This would undermine the sustainability and viability of the exchanges, as would the other alternative, which is for other insurers to start dumping unprofitable ObamaCare plans from their portfolios. (WSJ, 4/19).
- **Yes, Obamacare Premiums Are Going Up – Get ready for big increases in premiums under the Affordable Care Act.** A new analysis from the Kaiser Family Foundation examined the most popular individual plans under the new health care law in 14 major cities around the country and found that insurers were asking for increases in 2017 that are twice as big as this year's. There is wide variation, including some places where rates will go down, but the average requested increase is 10 percent. (NY Times, 6/15).

M&A Overview

Industry Trends

As shown below, there have been a few mega deals, such as Quintiles Transnational Holdings Inc. acquiring IMS Health Holdings, Inc. for \$13.2 billion and Envision Healthcare Holdings, Inc. purchasing AmSurg Corp. for \$7.6 billion. However, the deal count and volume are slowing down from the pace in 2015. In the first half of the 2016, we observed 122 deals in the Healthcare Services industry, totaling \$38.9 billion. (Source: S&P Capital IQ)



Top Ten Largest Announced Transactions Year to Date - June 30, 2016

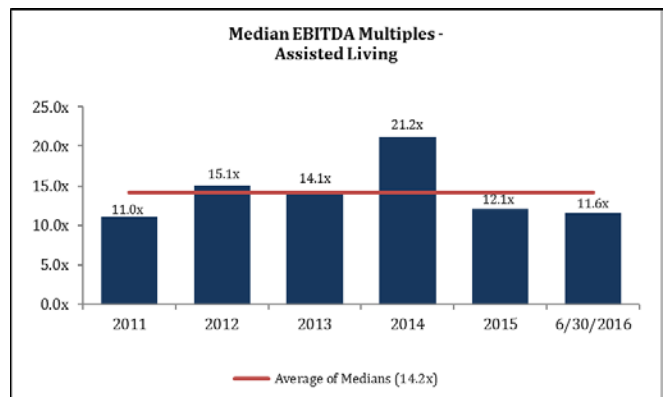
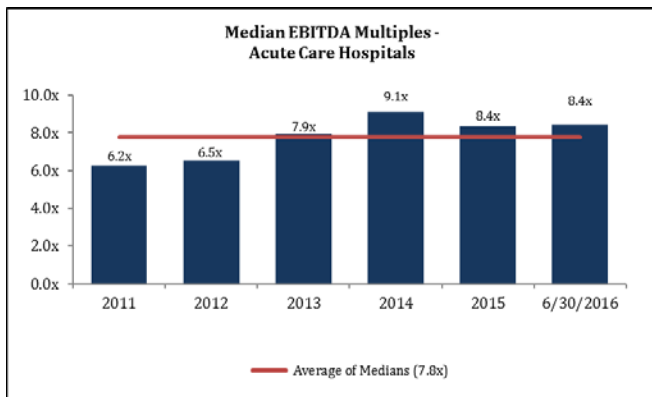
Announced	Buyer	Target	Target Description	Implied Enterprise Value (\$ mm)
5/3/2016	Quintiles Transnational Holdings Inc.	IMS Health Holdings, Inc.	IMS Health Holdings, Inc. provides information and technology services to healthcare industry worldwide.	\$ 13,170.54
06/15/2016	Envision Healthcare Holdings, Inc.	AmSurg Corp.	AmSurg Corp., through its subsidiaries, provides ambulatory and physician services in the United States.	\$ 7,609.51
2/17/2016	IBM Watson Health	Truven Holding Corp.	Truven Holding Corp. provides analytic solutions and services for healthcare industry in the United States and internationally.	\$ 3,566.64
4/26/2016	Leonard Green & Partners, L.P.	ExamWorks Group, Inc.	ExamWorks Group, Inc., together with its subsidiaries, provides independent medical examinations (IMEs), peer and bill reviews, Medicare compliance, case management, record retrieval, document management, and other related services in the United States, Canada, the United Kingdom, and Australia.	\$ 2,005.34
2/24/2016	Winterfell Healthcare Holdings - NT-HCI, LLC; Winterfell Healthcare NT-HCI CAM2, LLC	Winterfell Healthcare Owner General Partnership	Winterfell Healthcare Owner General Partnership owns and operates retirement facilities.	\$ 1,279.63
3/8/2016	Apax Partners LLP	Respiratory Care Business	Becton, Dickinson and Company, Respiratory Care Business comprises respiratory ventilation and diagnostics equipment and consumables used during respiratory diagnostics and therapy; and consumables used for patient monitoring and anesthesia delivery.	\$ 998.00
03/20/2016	GI Partners, LLC; Allscripts Healthcare Solutions, Inc.	Netsmart Technologies Inc.	Netsmart Technologies Inc., a healthcare information technology company, provides software and technology solutions.	\$ 950.00
4/25/2016	Veritas Capital	Verisk Health, Inc. and MediConnect Global, Inc.	Verisk Health, Inc. and MediConnect Global, Inc. represents the combined operations of Verisk Health, Inc. and MediConnect Global, Inc. in their sale to Veritas Capital.	\$ 820.00
02/19/2016	Resmed Corp.	Brightree LLC	Brightree LLC provides cloud-based software solutions for the post-acute care industry.	\$ 800.00
4/5/2016	Physicians Realty L.P.	Forty seven Medical Office Facilities	Forty seven Medical Office Facilities comprises healthcare facilities.	\$ 611.10

Public Market Data

Company	6/30/2016 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Acute Care Hospitals										
Community Health Systems, Inc.	12.05	63.89	11.70	18,877	8.3x	7.4x	11.7%	14.1%	15.1x	5.8x
HCA Holdings, Inc.	6.20	6.95	4.05	48	7.8x	NA	1.9%	NA	-34.6x	NA
Kindred Healthcare Inc.	11.29	23.36	7.96	4,349	7.6x	4.4x	8.0%	13.6%	NM	14.1x
LifePoint Health, Inc.	65.37	88.18	58.20	5,548	8.8x	7.2x	11.4%	11.9%	17.2x	18.6x
Tenet Healthcare Corp.	27.64	60.93	21.39	19,221	8.6x	7.8x	11.6%	12.8%	NM	26.1x
Universal Health Services Inc.	134.10	148.57	100.82	16,572	9.8x	9.5x	18.0%	17.8%	18.6x	17.8x
Median					8.4x	7.4x	11.5%	13.6%	16.2x	17.8x

Assisted Living

Brookdale Senior Living Inc.	15.44	34.88	11.28	9,230	11.6x	10.6x	18.8%	17.2%	-7.6x	NM
Capital Senior Living Corp.	17.67	24.71	14.58	1,347	17.9x	13.8x	17.9%	21.4%	NM	NM
Five Star Quality Care Inc.	2.34	4.96	1.65	210	6.7x	5.4x	2.8%	2.8%	-2.9x	-6.8x
Median					11.6x	10.6x	17.9%	17.2%	-5.2x	-6.8x

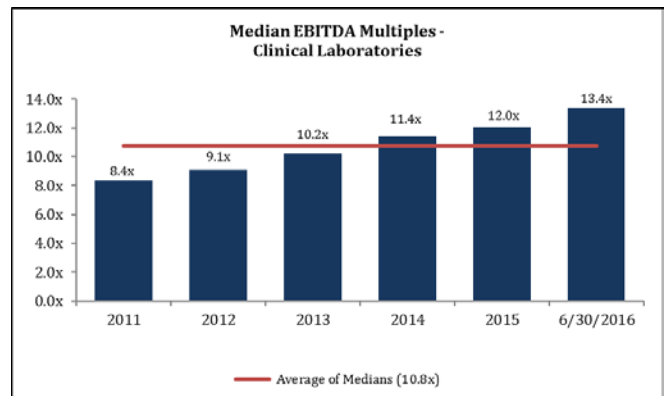
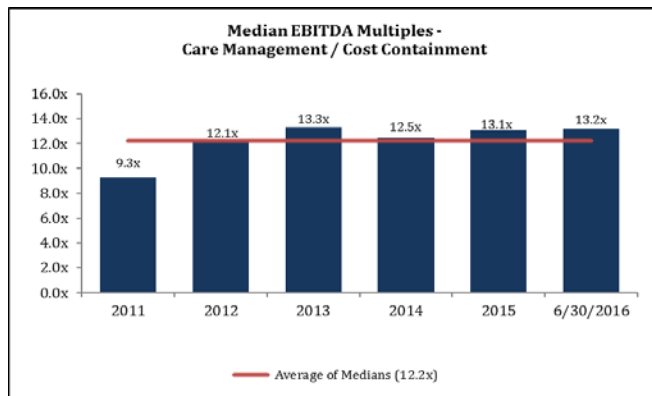


Public Market Data (cont.)

Company	6/30/2016 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Care Management/Cost Containment										
Accretive Health, Inc.	2.00	5.57	1.72	98	0.5x	-3.2x	46.1%	NA	1.9x	-7.0x
CorVel Corporation	43.18	53.19	29.27	814	12.3x	NA	13.1%	NA	29.7x	NA
ExamWorks Group, Inc.	34.85	39.69	21.98	2,015	16.8x	12.0x	14.1%	17.4%	NM	57.2x
HMS Holdings Corp.	17.61	18.50	8.11	1,536	17.0x	12.9x	18.7%	24.5%	58.0x	52.7x
MAXIMUS, Inc.	55.37	70.00	45.15	3,823	12.4x	11.2x	13.3%	14.1%	23.6x	20.9x
Cotiviti Holdings, Inc.	21.13	21.47	17.29	2,918	14.0x	12.5x	36.8%	38.8%	NM	46.4x
Median					13.2x	12.0x	16.4%	20.9%	26.6x	46.4x

Clinical Laboratories

Laboratory Corp. of America Holdings	130.27	131.99	97.79	19,054	10.7x	9.8x	19.4%	20.1%	21.4x	18.0x
Psychemedics Corp.	13.74	15.10	7.76	79	16.9x	NA	15.7%	NA	28.7x	NA
Quest Diagnostics Inc.	81.41	81.41	59.66	15,388	10.4x	10.3x	19.7%	19.8%	13.9x	17.4x
Sonic Healthcare Limited	21.55	23.73	16.84	11,484	15.8x	13.2x	15.7%	17.5%	24.7x	21.0x
Median					13.2x	10.3x	17.6%	19.8%	23.1x	18.0x

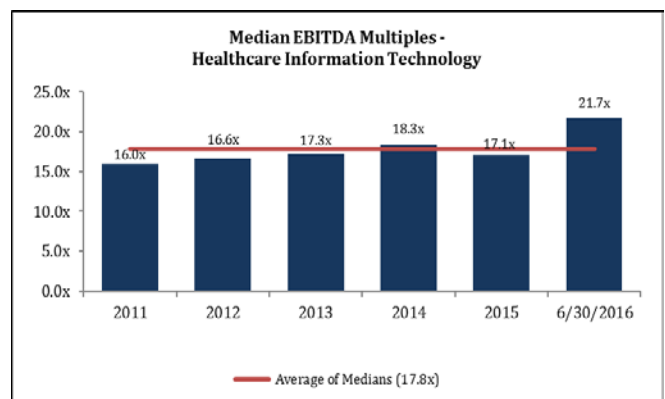
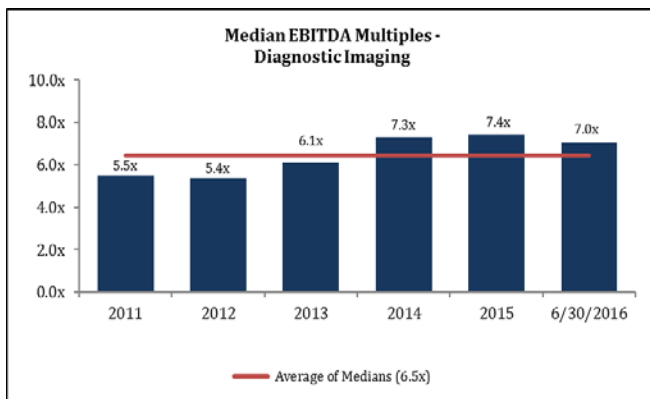


Public Market Data (cont.)

Company	Guideline Ticker	6/30/2016 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
			High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Diagnostic Imaging											
Alliance Healthcare Services, Inc.	AIQ	6.24	18.48	5.88	672	5.8x	NA	23.9%	NM	17.3x	NA
RadNet, Inc.	RDNT	5.34	7.85	4.66	904	8.3x	7.1x	12.9%	14.4%	23.9x	27.9x
Median						7.0x	7.1x	18.4%	14.4%	20.6x	27.9x

Healthcare Information Technology

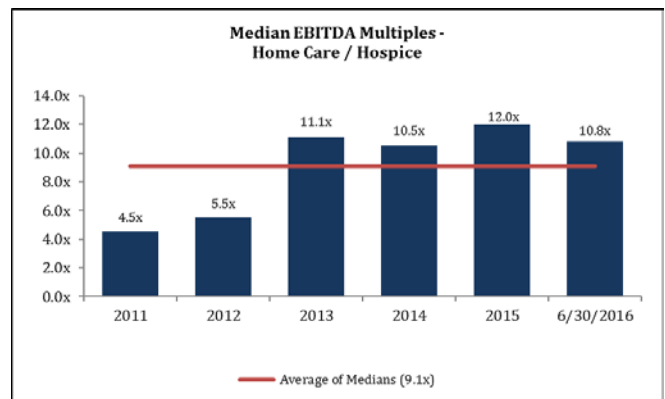
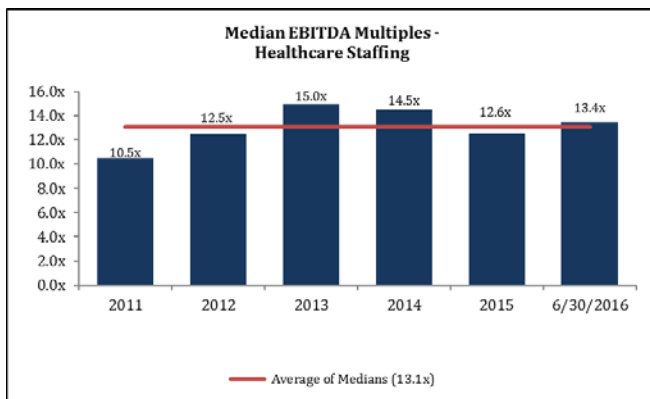
Allscripts Healthcare Solutions, Inc.	MDRX	12.70	15.78	11.47	2,887	23.1x	10.0x	8.9%	18.5%	NM	NM
athenahealth, Inc.	ATHN	138.01	170.42	110.68	5,616	65.7x	23.9x	8.4%	21.3%	NM	NM
Cerner Corporation	CERN	58.60	75.00	49.59	19,904	15.9x	12.3x	27.9%	32.8%	34.2x	28.1x
Computer Programs & Systems Inc.	CPSI	39.92	59.16	36.04	673	18.6x	8.2x	17.6%	27.7%	48.3x	21.7x
Quality Systems Inc.	QSII	11.91	17.50	11.10	795	13.9x	8.2x	11.6%	18.8%	NM	19.0x
Press Ganey Holdings, Inc.	PGND	39.35	41.13	23.68	2,210	70.9x	16.0x	9.4%	38.0%	NM	64.9x
Omnicell, Inc.	OMCL	34.23	40.80	25.06	1,403	21.7x	13.1x	12.0%	15.2%	51.1x	63.2x
HealthStream, Inc.	HSTM	26.52	32.30	17.80	691	27.1x	18.7x	11.7%	16.2%	NM	NM
Inovalon Holdings, Inc.	INOV	18.01	27.99	15.12	2,284	18.3x	13.1x	28.0%	33.9%	50.2x	38.9x
Median						21.7x	13.1x	11.7%	21.3%	49.3x	33.5x



Public Market Data (cont.)

Company	6/30/2016 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Healthcare Staffing										
AMN Healthcare Services Inc.	39.97	41.38	21.24	2,274	12.7x	10.1x	11.2%	12.0%	20.1x	19.3x
Cross Country Healthcare, Inc.	13.92	18.76	9.72	526	14.2x	11.2x	4.8%	5.7%	22.2x	12.2x
On Assignment Inc.	36.95	51.00	29.34	2,667	11.2x	9.0x	10.8%	12.2%	26.0x	18.7x
Team Health Holdings, Inc.	40.67	70.21	33.15	5,362	14.5x	10.5x	9.5%	10.8%	54.4x	27.0x
Median					13.4x	10.3x	10.1%	11.4%	24.1x	19.0x

Home Care / Hospice										
Addus HomeCare Corporation	17.43	38.08	15.33	222	9.3x	7.5x	6.9%	7.5%	20.6x	17.6x
Almost Family Inc.	42.61	50.48	33.69	584	13.7x	10.9x	7.7%	8.5%	22.6x	NA
Amedisys Inc.	50.48	54.42	31.16	1,791	22.4x	14.6x	6.1%	8.6%	44.2x	31.8x
Chemed Corp.	136.31	160.12	124.77	2,387	10.7x	10.0x	14.3%	15.0%	20.4x	19.4x
LHC Group, Inc.	43.28	51.83	32.77	892	10.8x	10.3x	9.9%	9.7%	23.6x	21.9x
Median					10.8x	10.3x	7.7%	8.6%	22.6x	20.7x

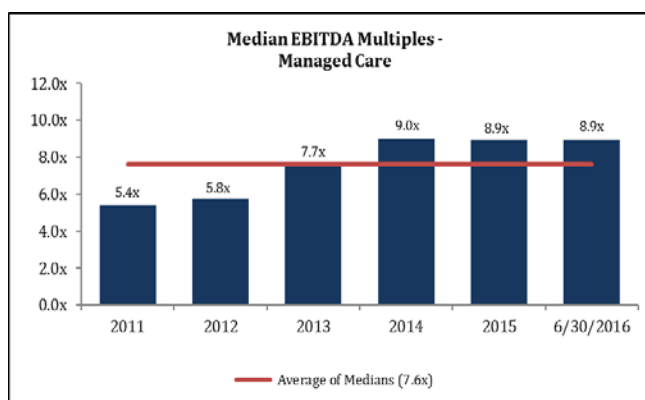
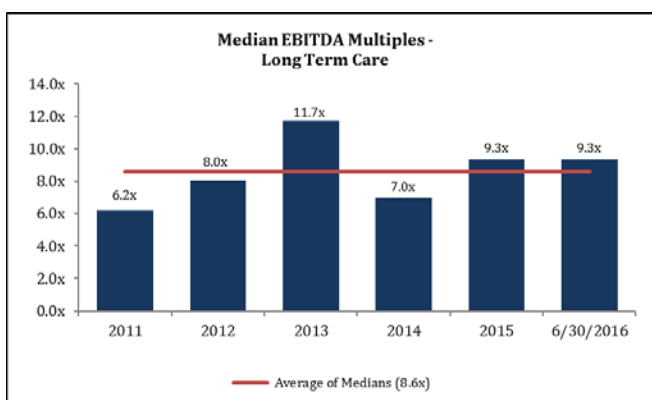


Public Market Data (cont.)

Company	6/30/2016 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Long Term Care										
AdCare Health Systems, Inc.	1.84	4.00	1.71	210	43.3x	NA	20.3%	NM	-1.8x	NA
Diversicare Healthcare Services Inc.	8.30	12.99	6.45	114	4.8x	NA	6.0%	NM	29.8x	NA
National HealthCare Corporation	64.74	69.40	57.16	966	9.0x	NA	11.8%	NM	18.4x	NA
The Ensign Group, Inc.	21.01	27.04	17.60	1,186	9.7x	7.1x	8.6%	10.1%	22.1x	16.6x
Median					9.3x	7.1x	10.2%	10.1%	20.3x	16.6x

Managed Care

Aetna Inc.	122.13	129.74	92.42	46,898	8.7x	7.9x	8.9%	9.5%	18.3x	16.3x
Centene Corp.	71.37	83.00	47.36	13,176	13.8x	7.6x	4.2%	4.4%	44.2x	27.3x
Cigna Corp.	127.99	168.36	121.87	35,702	8.9x	8.0x	10.4%	11.2%	15.8x	14.4x
Humana Inc.	179.88	195.00	155.24	28,358	12.0x	9.2x	4.4%	5.7%	24.8x	21.1x
Magellan Health, Inc.	65.77	71.88	45.40	1,733	8.4x	6.6x	4.4%	5.4%	43.3x	23.4x
Molina Healthcare, Inc.	49.90	82.37	44.50	2,286	4.7x	3.8x	3.2%	3.4%	20.3x	20.6x
Triple-S Management Corporation	24.43	27.70	17.34	525	7.9x	8.2x	2.2%	2.1%	14.8x	17.0x
UnitedHealth Group Incorporated	141.20	141.31	95.00	159,102	12.5x	10.5x	7.7%	8.3%	22.3x	19.0x
Universal American Corp	7.58	10.16	5.55	599	17.3x	12.6x	2.3%	3.1%	-3.7x	65.1x
WellCare Health Plans, Inc.	107.28	110.81	69.16	3,453	7.0x	5.6x	3.5%	4.4%	34.4x	24.6x
Anthem, Inc.	131.34	165.79	115.63	50,119	9.0x	8.9x	7.0%	6.9%	14.4x	13.6x
Median					8.9x	8.0x	4.4%	5.4%	20.3x	20.6x



Public Market Data (cont.)

Company	6/30/2016 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY

Pharmacy Management

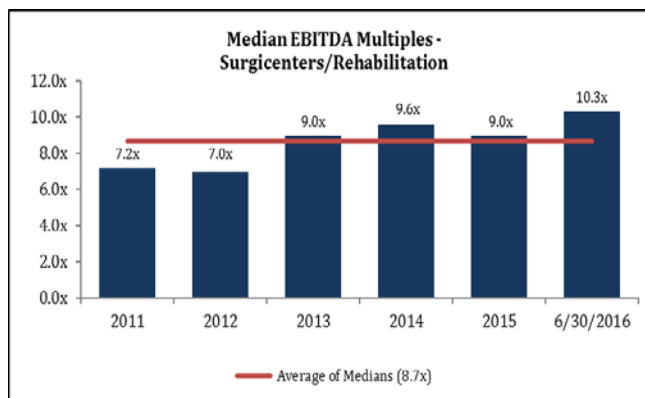
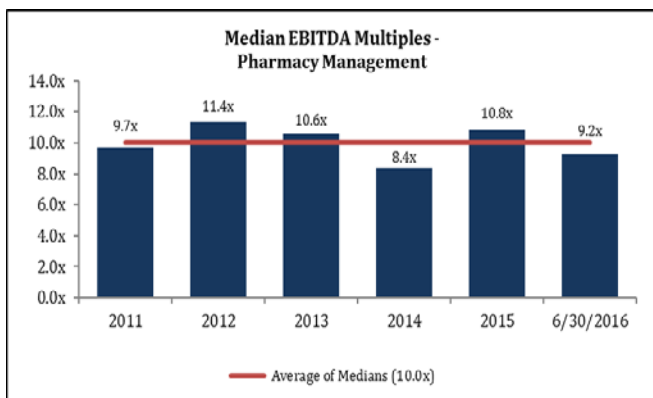
BioScrip, Inc.	2.55	3.62	1.19	772	67.2x	16.2x	1.2%	5.3%	-1.0x	-12.0x
Express Scripts Holding Company	75.80	94.61	65.55	62,795	9.2x	8.6x	6.7%	7.2%	18.7x	16.4x
PharMerica Corporation	24.66	36.96	19.79	1,110	8.5x	8.3x	6.4%	6.3%	25.6x	12.8x

Median	9.2x	8.6x	6.4%	6.3%	18.7x	12.8x
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Surgicenters/Rehabilitation

AmSurg Corp.	77.54	87.42	54.11	7,276	10.3x	12.2x	25.9%	19.2%	24.3x	21.5x
Hanger, Inc.	7.43	23.72	1.75	-	NA	NA	15.0%	15.3%	4.3x	NA
HEALTHSOUTH Corp.	38.82	48.37	30.26	6,808	9.1x	8.6x	22.7%	21.5%	17.6x	14.5x
Select Medical Holdings Corporation	10.87	16.50	7.33	4,414	10.7x	8.5x	10.4%	12.0%	9.5x	10.5x
US Physical Therapy Inc.	60.21	61.31	42.59	842	14.5x	15.4x	17.2%	15.2%	32.1x	30.5x
Nobilis Health Corp.	64.74	69.40	57.16	966	10.3x	NA	11.8%	NM	18.4x	NA

Median	10.3x	8.3x	15.2%	14.1%	14.4x	15.8x
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Definitions:

Enterprise Value – defined by S&P Capital IQ as “market cap. + total debt + preferred equity + total minority interest – cash and equivalents”
 LTM – the latest twelve months.
 EBITDA – *adjusted* earnings before interest, taxes, depreciation and amortization.
 NFY – next fiscal year.
 EPS – earnings per share.
 NA – not available, NM – not meaningful.

Notes:

(1) Source: As reported by S&P Capital IQ.
 (2) Reported in local currency.
 (3) In millions of local currency.

Segments of the Healthcare Services Industry Defined

- **Acute Care Hospitals:** This industry segment includes hospitals and other healthcare providers that focus on short-term treatment for severe injuries or illnesses. Healthcare reform, reimbursement trends, electronic records, and nursing shortages are the top concerns faced by operators in the Acute Care Hospital industry. Healthcare reform will likely increase the number of insured patients, which will boost revenue. Other factors, such as aging population, will contribute to revenue growth over the next five years. Profitability will remain pressured as labor costs rise; however, the industry's profit margin will get a boost from the increasing number of people who have health insurance.
- **Assisted Living:** The Assisted Living industry segment is made up of a variety of senior care services, including assisted living facilities, continuing care retirement communities, and elderly and disabled services. The number of elderly Americans is anticipated to continue to expand in the coming years, which will stimulate demand within the industry. However, Medicare and Medicaid reimbursement cuts are expected to severely limit the growth of the industry.
- **Care Management/Cost Containment:** Companies in this industry segment reduce the overall cost of medical treatment by establishing controls across many providers of healthcare services for the use of expensive procedures, in-patient admission criteria, the lengths of stay, and other factors affecting the cost of care. Importantly, a company in this industry may represent a number of physician practices, laboratories and/or other service providers. This gives them much more leverage than a single physician practice would have in negotiating reimbursement prices with insurance companies or government medical programs. The cost of providing healthcare services has risen as a result of new technologies, malpractice insurance rates, and labor costs. However, insurance companies and the government continue to lower their reimbursement rates. The demand for companies in this industry is expected to increase as healthcare service providers utilize industry companies to operate more efficiently and to avoid severe margin pressure from reduced reimbursement fees from large insurance entities.
- **Clinical Laboratories:** This industry segment consists of companies that conduct analytic services to provide healthcare practitioners with information concerning the onset, severity and cause of patients' physical ailments. While the industry has long been an essential component of healthcare, the aging population and ongoing progress toward preventive care has further boosted revenue over the past five years. During the next five years, the Clinical Laboratories industry is expected to benefit from healthcare reform and the aging U.S. population. As many laboratories consolidate, operators will increasingly compete on the basis of price with hospitals that provide industry services in-house. In particular, large laboratories are acquiring smaller labs that provide either routine or specialized services, such as biomarkers. Also, as more patients seek an individually tailored healthcare plan, demand for high-margin molecular testing, such as with regard to genetics, will cause industry profit to increase.

Segments of the Healthcare Services Industry (cont.)

- **Diagnostic Imaging:** Diagnostic imaging involves the use of non-invasive procedures to generate representations of internal anatomy and function that can be recorded on film or digitized for display on a video monitor. Diagnostic imaging procedures facilitate the early diagnosis and treatment of diseases and disorders and may reduce unnecessary invasive procedures, often minimizing the cost and amount of care for patients. The industry is forecast to increase 2.6% per year on average over the next five years. This growth will be driven by the aging of the U.S. population, wider physician and payor acceptance for imaging technologies, and greater consumer and physician awareness of diagnostic screening capabilities. However, as third-party payers expand access to health insurance, they will also continue their attempts to reduce system-wide waste and fraud to keep costs low. Even as funding for Medicare and Medicaid is expected to increase over the next five years, the Centers for Medicare and Medicaid Services (CMS) will continue to implement reimbursement cuts aimed at reducing industry volumes by discouraging reduplicative services.
- **Healthcare Information Technology:** This industry provides technology solutions to optimize processes and help eliminate errors, variance, and waste for healthcare organizations. Companies in this industry provide computer software-based solutions that help hospitals and physician groups improve efficiencies and business processes across the enterprise to enhance and protect revenues. This industry is poised for further growth going forward. Ongoing contributors to growth in this industry include: incentives in the American Recovery and Reinvestment Act; a shift away from fee-for-service or volume-based reimbursement towards value-based or outcomes-based reimbursement; and a shift in the U.S. marketplace towards a preference for a single platform across inpatient and ambulatory settings.
- **Healthcare Staffing:** The healthcare staffing industry is faced with the challenge of orchestrating care in an increasingly complex and converging healthcare labor market. Moving forward, the industry will benefit from the evolving needs of the continuously aging Baby Boomer generation, in which the number of adults aged 65 and older will increase at an annualized rate of 3.2% to 56.0 million people in the five years to 2020. This will provide impetus for healthcare providers to hire extra staff to compensate for the influx of patients, raising demand for industry services.
- **Home Care/Hospice:** The Home Care/Hospice industry is becoming one of the fastest-growing healthcare industries in the U.S. The industry saves patients billions of dollars every year by treating them in their homes instead of in hospitals. An aging population, the prevalence of chronic disease, growing physician acceptance of home care, medical advancements, and a movement toward cost-efficient treatment options from public and private payers continue to foster industry growth.
- **Long-Term Care:** The Long-Term Care industry provides long-term care, skilled nursing care, and social services in residential facilities. The profitability of the long-term care facilities depends on efficient operations, as revenue per patient is largely controlled by Medicare and Medicaid. Over the next five years, the continued aging of the population will stimulate demand.

Segments of the Healthcare Services Industry (cont.)

- **Managed Care:** The term managed care is used in the U.S. to describe a variety of techniques intended to reduce the cost of providing health benefits and improve the quality of care. Moreover, the median age of the population is anticipated to continue its ascent over the five-year period, rising from 37.9 years in 2016 to 38.7 in 2021. Demand for health services and coverage tends to rise as the population ages, largely because these individuals typically require more procedures than their younger counterparts
- **Pharmacy Management:** This industry includes firms that provide pharmacy benefit management services. Industry firms are third-party administrators of government and employer-sponsored prescription drug programs. They are primarily responsible for processing and paying prescription drug claims. Though it felt the recession's effects, the Pharmacy Benefit Management industry has recovered quickly and is poised to grow on the back of rising insurance coverage and increased physician visits, which will yield a higher number of prescriptions filled. As the median age of the U.S. population continues to rise, more Americans will rely on medications, increasing demand for the industry's services from insurers and employer-sponsored coverage plans.
- **Surgicenters/Rehabilitation:** The Surgicenters and Rehabilitation industry focuses on orthopedics. Surgicenters are establishments that provide surgical and emergency care services on an outpatient basis. This includes the provision of services such as orthoscopic, cataract surgery and setting broken bones. Rehabilitation centers provide follow-up physical therapy and other treatment and activities to help patients regain or improve mental or physical functionality following an injury or illness. Looking ahead, industry growth is expected to accelerate because of legislation and improving economic conditions. The introduction of the Patient Protection and Affordable Care Act will extend healthcare to a number of Americans, which will hasten increasing demand for the industry.

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