The Pulse of Private Equity – 10/13/2014

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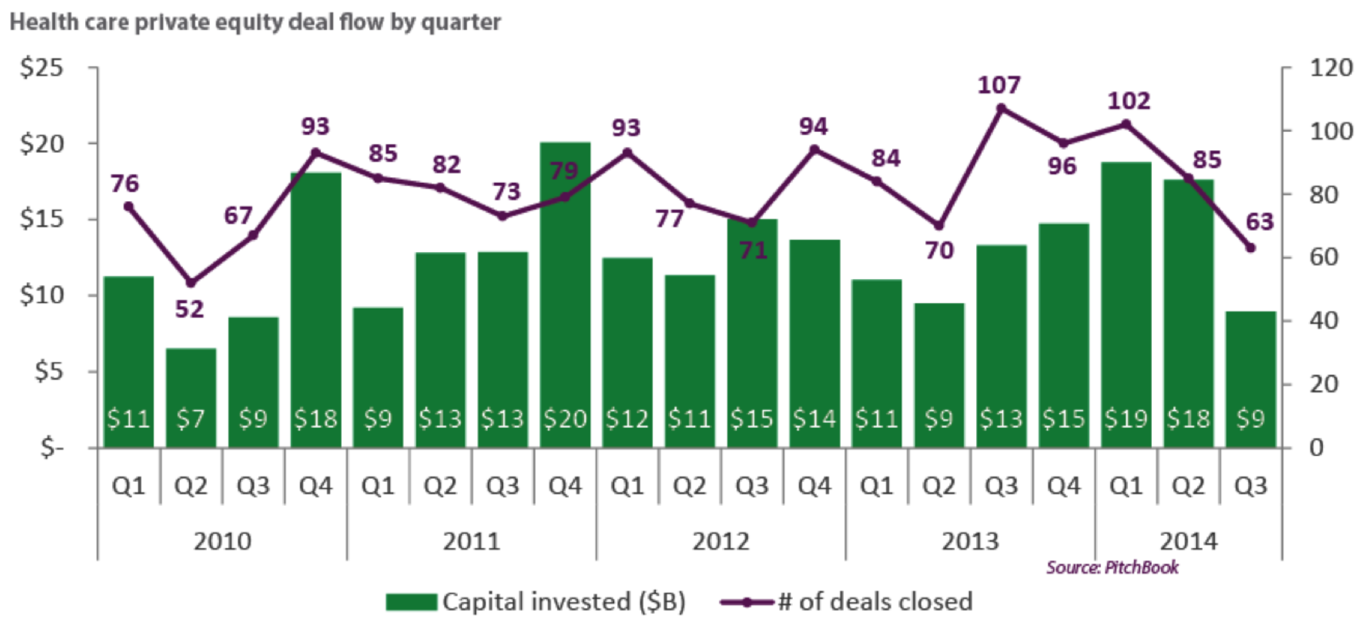
PE is Back in the Healthcare Space

The first and second quarters were two of the best quarters for PE capital invested in the healthcare space since the ACA was passed. And three consecutive quarters, 3Q 2013 to 1Q 2014, all saw higher deal flow in the industry than in the boom days of 2006 and 2007. Given all the regulatory changes and question marks in the industry, that may be surprising, but what we've been hearing is that most of the new regulations have been digested by buyers, and deal flow is picking up as a result. One of the consequences of the ACA has been significant consolidation efforts, both by PE investors and by the industry as a whole, in an effort to create more defensible models. We'll likely see even more of that in the coming quarters, even in the hospital segment, which hasn't historically done much consolidating at all.



Sub-sectors in the industry that are seeing a lot more attention are service providers like pain management, data management, post-acute care services and physical therapists. Any healthcare providers that can help reduce the cost of delivering healthcare are getting a close look from PE investors, since the new regulations have pushed consumers into looking for more affordable options outside of the traditional hospital system. More healthcare spending dollars today are coming out of consumers' pocketbooks as a result of higher deductibles.

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