



Global Healthcare Advisors, LLC

Building Leading Healthcare Companies

Forward Steps Toward Parity in Addiction Treatment

Vertical: Behavioral Health, May 2015

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Executive Summary

Market Analysis: The risks of investing in the addiction treatment service space are in the early stages of being mitigated. The space has changed qualitatively, as general awareness grows and addiction treatment shifts from being viewed as a social stigma to a legitimate, treatable disease. It has also evolved quantitatively as we believe risks are being mitigated through what we believe will be a favorable future reimbursement environment.

Acquisition Environment: M&A in the Addiction Treatment Service and Care sector of the Healthcare market will become more active and competitive. “Strategics” and Private Equity sponsors are likely to pursue M&A strategies as growth dynamics become more favorable and risks become mitigated.

Regulation: On April 6, 2015, the CMS proposed that low-income Americans should receive Mental Healthcare and Addiction Treatment reimbursements under the Medicaid and Children’s Health Insurance Program (CHIP). The proposed rule means that incremental new patients will be reimbursed for such medical services. See our “Addiction Treatment Parity Milestone Table” in this report.

Risk Mitigation: The Mental Health Parity and Addiction Equity Act of 2008 required commercial insurers and group health insurance plans to provide access to addiction treatment to insured patients. Previously, Medicaid and Medicare were not required to reimburse addiction treatment services, but now they are. These rules will continue to increase the number of patients that are reimbursed for Addiction Treatments.