



# Global Healthcare Advisors, LLC

*Building Leading Healthcare Companies*

## Trends in Outpatient Services & Care

Vertical: Outpatient Services, April 2015

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### Executive Summary

**Market Analysis:** Technology Innovations are Driving Outpatient Services Growth. Since the first Outpatient Service and Care center was established in 1970, Outpatient Services revenue as a % of total hospital revenue has grown from 10% to 60%. GHA expects this growth trend to continue in the next 5 years.

**Reimbursement:** Reimbursement climate to benefit from “site neutral” trends. The CMS is moving toward more of a “site-less” or “site neutral” method of payments. We see more room for this gap to be bridged and drive growth.

**Legislative and Regulatory:** Federal government cost cutting in the form of limiting the Sustainable Growth Rate has reached an end. Thus, the SGR overhang is a tail wind that allows management teams to focus on internal portfolio and / or core strategy. As a result, M&A activity should increase.

**Acquisition Environment:** GHA sees continued investment in outpatient services and care centers with the large strategic acquirers being more active than in the past. Private equity & smaller strategics need to stay competitive.

**Strategic Framework:** Long-term we favor “two-fold” technology adopters and integrators. Medium/near-term, we prefer those firms who focus on cost & convenience.

**Valuation:** GHA sees EBITDA multiples ranging in the “high single digits” to “low teens.” Financial benchmark data suggest outpatient service or care centers EBITDA margins can range from the mid-teens to low twenties on a percentage basis.

**Competitive Landscape:** Standalone Outpatient Services and Care centers compete directly with Hospitals and Health Systems that offer the same treatments. We have detailed analysis of the major players in this report.

**Risks:** 1) Failure to adopt new technologies, 2) increasing costs, 3) competition and 4) change in regulatory or reimbursement environment.