

*As the healthcare industry continues to adapt to mounting regulatory and reimbursement shifts combined with continued pressures on cost structure, healthcare investors are increasingly focused not only on financial performance, but also on operational effectiveness and clinical quality to solidify their investment theses. As such, healthcare organizations face unique challenges that are critical to long-term success. With the right mix of financial and operational due diligence, healthcare investors can identify risks, quantify historical and projected results, and translate conclusions and findings into the right decisions in a transactional setting.*

*Since healthcare providers constantly face changes that directly impact financial and operational performance, due diligence should focus on identifying risks and opportunities beyond the typical quality of earnings and working capital analyses.*

Evaluating healthcare transactions demands substantial industry knowledge and experience. Alvarez & Marsal (A&M), the leading global professional services firm, brings a dedicated healthcare industry focus that not only identifies risks and opportunities, but also drives positive and sustainable change. Our experienced professionals assist in the due diligence, implementation, realization and mitigation of opportunities and risks throughout the investment lifecycle.

#### THE A&M ADVANTAGE

Alvarez & Marsal Transaction Advisory Group professionals deliver world-class financial and accounting due diligence considerations, including quality of earnings, quality of forecast and transaction structuring analyses. Our firm's deep operating and healthcare heritage also provides clients with the ability to identify and evaluate the impact of key operational and clinical issues and trends that are so critical to realizing transaction value. We are uniquely positioned to provide unrivaled assistance and advice from pre-acquisition to exit. Our advice extends far beyond typical accounting and financial due diligence.

#### KEY DILIGENCE INSIGHTS AND FOCUS

Since healthcare providers constantly face changes that directly impact financial and operational performance, due diligence should focus on identifying risks and opportunities beyond the typical Quality of Earnings and working capital analyses.

A&M Transaction Advisory professionals provide advice relative to:

- **Market Diligence** – The political and regulatory context of the business of healthcare combined with the interplay of consumerism, advancing technology and population demographics, creates for a dynamic commercial setting. Healthcare investors require a comprehensive understanding of the healthcare value chain to evaluate how market forces may impact a focused healthcare segment.
- **Shifts in Reimbursement** – Budget shortfalls in both state and federal reimbursement sources necessitate the continual refinement of reimbursement structures. Such shifts historically lead to changes in reimbursement patterns and modifications of reimbursement sources. Assessing the impact of anticipated shifts is required to develop sound investment theses and models.
- **Revenue Sustainability** – Healthcare organizations often suffer from financial and operational challenges that reduce revenue quality and sustainability. Ineffective policies and procedures or the inability to efficiently complete the revenue cycle can impact the bottom line. Assessing historical and prospective trends in revenue, while taking reimbursement and volumes into consideration, is vital to accurately assessing earnings power.

- **Employee-Related Cost Inflation** – The shortage of skilled care providers is expected to continue in the short and intermediate term, requiring organizations to remain keenly aware of employee-related cost trends. Evaluating human resources-related expenses and understanding the appropriate mix of employees is necessary to identify opportunities for improvement and address staffing shifts.

- **Risk Management** – Risk management costs for healthcare entities are increasing at an unprecedented rate. These costs can often be mitigated through self insurance and claims-made insurance programs, but understanding the accounting and cash flow implications (which can be substantially different) of historical and projected trends in malpractice and employee compensation costs are vital to evaluating GAAP and cash flow effects, as well as the impact on transaction value.

## OUR SERVICES

A&M Transaction Advisory Group offers end-to-end services across the healthcare investment lifecycle.

Due Diligence / Acquisition Support	Performance Improvement / Value Creation			Exit / Vendor Support
	EBITDA Improvement	Asset Efficiency	Interim Management / Turnaround	
<ul style="list-style-type: none"> <li>▲ Assist with Deal Sourcing</li> <li>▲ Business Strategy and Business Plan Evaluation</li> <li>▲ Financial Due Diligence</li> <li>▲ Operational Due Diligence (e.g., Manufacturing, HR, IT, Real Estate, Insurance) Tax Due Diligence</li> <li>▲ 100-Day Plan Development</li> <li>▲ Deal Model Review to Assess ETR and Tax Implications on Pro Forma Projections</li> <li>▲ Tax Structure Review to Identify Opportunities to Improve After Tax Cash Flows</li> <li>▲ Merger / Carve-Out Plans</li> </ul>	<ul style="list-style-type: none"> <li>▲ Revenue Enhancement, Referral Source Evaluation</li> <li>▲ Division / Department Profitability Analysis</li> <li>▲ Supply Chain: Procurement</li> <li>▲ Operations Review and Overhead Reduction</li> <li>▲ Merger / Carve-Out Support</li> <li>▲ Risk Management / Insurance Advisory</li> </ul>	<ul style="list-style-type: none"> <li>▲ Cash Flow and Working Capital Management</li> <li>▲ Operating Asset Optimization</li> <li>▲ ERP Selection and Project Management</li> <li>▲ Technology Asset Management</li> <li>▲ Business Intelligence / Management Reporting</li> <li>▲ HR Comp and Benefits</li> <li>▲ Real Estate Advisory</li> </ul>	<ul style="list-style-type: none"> <li>▲ Management Advisory/ Additional Resources</li> <li>▲ Interim Management</li> <li>▲ Turnaround Management</li> <li>▲ Financial Advisory / Creditor Management</li> <li>▲ Tax Modeling (e.g., Maximize Utilization of Valuable Tax Attributes)</li> <li>▲ Dispute Analysis &amp; Forensics</li> </ul>	<ul style="list-style-type: none"> <li>▲ Carve-Out / Divestment Advisory</li> <li>▲ Vendor Due Diligence</li> <li>▲ Corporate Finance Advisory</li> <li>▲ Exit Support</li> </ul>

## CONTACT US

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## ABOUT ALVAREZ & MARSAL TRANSACTION ADVISORY GROUP

Alvarez & Marsal's Transaction Advisory Group works with private equity firms, hedge funds and corporate acquirers to identify and maximize value at every point in the transaction lifecycle. With an integrated and uniquely operational perspective, our services include: Financial Accounting Due Diligence, Operational Due Diligence, Tax Due Diligence, Risk Management Advisory and other related offerings.

For 25 years, Alvarez & Marsal (A&M) has set the standard in working with organizations to solve complex problems, boost performance and maximize value for stakeholders. As the leading, independent global professional services firm, Alvarez & Marsal excels at leadership, problem solving and value creation. With its roots in operational and financial restructuring, A&M today brings a bias towards action and results, whether serving as advisers or in interim management roles. From nearly 40 locations around the world, A&M professionals serve large and mid-size businesses and their stakeholders in need of improving or enhancing operating and financial performance.

To learn more, visit [www.alvarezandmarsal.com](http://www.alvarezandmarsal.com).



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