

COVID-19 SILVER LININGS – ACCELERANT TO OPERATIONAL TRANSFORMATION

ZIEGLER HEALTHCARE CORPORATE FINANCE

Three Important Operational Developments for Healthcare Providers and HIT Companies Poised to Benefit Post-Crisis

It's no secret that certain healthcare sectors are in the spotlight during the COVID-19 crisis and that HIT companies focused on highly topical areas – like telehealth or supply chain management – have experienced skyrocketing interest almost overnight. Beyond such headline-grabbing developments, other lower profile but significant trends have the potential to reshape the post-crisis operating environment for hospital and physician practice providers.

As the initial shock to the acute care system subsides, providers will need to reflect and re-orient to post-COVID realities, often with their own financial sustainability hanging in the balance. The crisis has laid-bare inefficiencies in the system, and providers will need to adapt and employ strategies to survive now and thrive later. Here, we identify three notable trends COVID has accelerated and profile three companies uniquely positioned to capitalize on them by helping providers improve operational and financial performance. Themes currently playing out:

1. Need for and Accelerated Adoption of Cloud Solutions,
2. Improved Disclosure Management through Technology and Outsourced Solutions,
3. Cost Transformation and Digitization of Patient Payments and Billing.

Commonalities running through each storyline include improved operational safeguards (whether from a HIPAA compliance or employee safety perspective), robust and effective remote environments (efficient work-from-home set-ups, or enlisting third-party outsourced partners), and intelligent human capital optimization through workflow improvements to administrative and financial functions via automation and technology.

1. Need for and Accelerated Adoption of Cloud Solutions

Given the potential to improve scalability while reducing costs, cloud computing is the future of data management in most industries, and healthcare is no exception. However, significant challenges around PHI security and HIPAA compliance have meant healthcare constituents have been slow to fully leverage the cloud. COVID-19 is now compelling rapid cloud adoption across the healthcare continuum. For one, providers now understand that the majority of their administrative workforce may need

to work remotely at the drop of a hat, further emphasizing the need for effective cloud capabilities. Providers are also scrambling to offer telehealth options ASAP, and these virtual services inherently rely on a secure cloud infrastructure. Although HHS has temporarily waived aspects of HIPAA enforcement to speed access to virtual care, some easements will be rolled back as the crisis abates. Providers are currently in such a rush to operationalize telehealth from a clinical standpoint that they haven't focused on integrating these services with their EHRs, external vendors, RCM functions, or other internal applications and tools. Compliant data interoperability across these feeds and workflows will be a significant lift for many organizations in the coming days, and companies offering turn-key solutions for managing all aspects of cloud security and compliance will be in high demand.

COMPANY PROFILE



Datica's healthcare compliance, management and data integration services allow healthcare vendors and providers to meet the dual challenges of HIPAA compliance and EHR integration in order to unlock the full benefit of the cloud. Datica's cloud compliance solution offers end-to-end managed services to provide the most flexibility and security for health IT solutions. By installing the guardrails, Datica puts developers in the fast lane to scale quickly, while knowing that HIPAA compliance and HITRUST certification are in place. Datica's integrated solution removes the interoperability roadblocks to accelerate success by enabling health data integration from any source to any destination, in any format. With 400+ live EHR integrations, Datica unifies transactions across the entire ecosystem, ensuring the successful deployment of telehealth, patient engagement, clinical decision support and other digital health strategies. As software developers navigate ever-changing regulatory terrain, Datica puts developers back in the driver's seat to do what they do best – innovate.

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2. Improved Disclosure Management through Technology and Outsourced Solutions

As noted above, the security and handling of PHI remains a critical aspect of operating a modern health system, and the release of medical records to patients and third parties plays an important role in billing, reporting, research, and other functions. Many laws and regulations govern how, when, what, and to whom PHI is released, as well as amounts providers can charge for these release services. There is a growing administrative burden on hospital staff as requests for PHI from payors, attorneys and patients escalate. Increased complexity has also made accessing and disclosing PHI a high security risk activity, a strain on employee resources, and a compliance process better handled by outsourced vendors. Even in outsourced models, many disclosure activities have often been performed by specialists working on-site at the hospital facility (whether by hospital preference or vendor necessity). Understandably, with COVID-related reductions to non-critical, on-site staff, these third-party specialists have either been unable to perform their work or have experienced significant disruptions in productivity. Given post-COVID realities, the future of disclosure management belongs to tech-enabled vendors that can fulfill record requests off-site.

COMPANY PROFILE



verisma®

Along with a suite of full-service medical record release solutions, Verisma offers the industry's first automated disclosure management system. Verisma Release Manager (VRM) is a unique, tech-enabled approach to medical record disclosure management that optimizes electronic workflows to boost operational efficiency and decrease cost. VRM allows hospital staff to leverage the platform to process requests from receipt to information transfer themselves, greatly minimizing manual aspects of this function and providing the hospital a self-service option during the COVID crisis. Alternatively, through its remote solution, Verisma's expert staff can perform front-end request and record capture remotely, by utilizing VRM's cloud-based interface. With either approach, VRM's flexible digital tools allow Verisma to meet hospital clients' needs during and after the COVID crisis, by keeping the information flowing while ensuring staff safety.

3. Cost Transformation and Digitization of Patient Payments and Billing

Increasing collections via automated payment technologies have long been top-of-mind for providers (especially given rising patient financial responsibility). Now they are even more critical, as providers work to overcome crisis-related financial difficulties resulting from precipitous patient volume declines and unplanned expenses. Unfortunately, the financial recovery of many hospital and

physician practice will be frustrated by their reliance on traditional, expensive and labor-intensive billing methodologies – at a time when consumers place a high premium on “contactless” digital engagement throughout their care journey. Mail safety concerns as well as temporary freezes on billing and collection efforts are also driving a paper statement opt-out trend, emphasizing the necessity for digital options to generate cash flow. Consequently, providers face an acute need for digitized statement capabilities and integrated billing across their entire enterprise or care settings. RCM vendors providing these solutions will enable health systems to keep up with patient demand and preferences, while shifting costs from expensive payroll functions to low-cost technology solutions. The opportunity to dramatically reduce RCM expenses (by enabling patients to self-serve at unprecedented levels), presents a permanent strategic cost reduction transformation opportunity.

COMPANY PROFILE



As a leading patient financial engagement and payments technology company, Loyale enables hospitals and physician practices to successfully navigate the patient-pay landscape and ultimately improve cash flow by offering the holistic financial experience patients expect. Loyale's Patient Financial Management platform (PFM), offers providers the tools to personalize and optimize patient communications, such as intuitive, consolidated statements from multiple sources. Driven in part by consumers' growing comfort with online interactions, patients express a high degree of satisfaction with bills that combine all the relevant billing entities into a single, easy to understand presentation – and patients appreciate the option to pay on the spot or whenever they're ready. PFM empowers a provider's shift to paperless, often achieving a nearly 40% digital statement opt-in rate upon implementation. The platform's intelligent workflows and automation also drive higher productivity from admissions, administrative, billing and collections staff, even when working remotely. By partnering with Loyale, providers report higher patient satisfaction and better financial outcomes, including substantial cost reductions.

COVID-19 is fundamentally transforming what a successful HIT strategy looks like for health systems and physician practices, however providers willing to embrace innovative solutions will be well positioned to optimize performance in the post-COVID world.



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Mark Turco joined the corporate finance team at Ziegler in 2014. He works with healthcare information technology and tech-enabled healthcare services companies, advising on various strategic and financial alternatives. Mark brings 12 years of investment banking experience to Ziegler, specializing in M&A, restructuring, financing and strategic financial advisory services in the healthcare, financial services and IT industries.

Mark has completed numerous M&A and capital raising transactions for healthcare companies across a wide spectrum of healthcare subsectors including revenue cycle management, decision support software, data analytics, telemedicine, provider outsourcing, and post-acute software & consulting.

Prior to joining Ziegler, he was a director in the restructuring investment banking division at Alvarez & Marsal Securities, as well as an analyst at Barnett & Partners, an investment bank focused on M&A advisory.

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Prior to joining Ziegler, Steven interned at the Federal Reserve Board and Investors' Security Trust, a boutique private wealth management firm where he analyzed equity investment opportunities for the portfolio management team.

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