



## PHARMACY SERVICES

## ANATOMY OF A DEAL:

# What Genoa's Acquisition of 1DocWay Says about Health Care M&A

Every once in a while, a deal comes around that deftly merges the latest and greatest themes in health care M&A; a deal worthy of dissection to see what, if anything, it could signal regarding go-forward consolidation strategies.

Such is the case with Genoa's recent acquisition of 1DocWay.

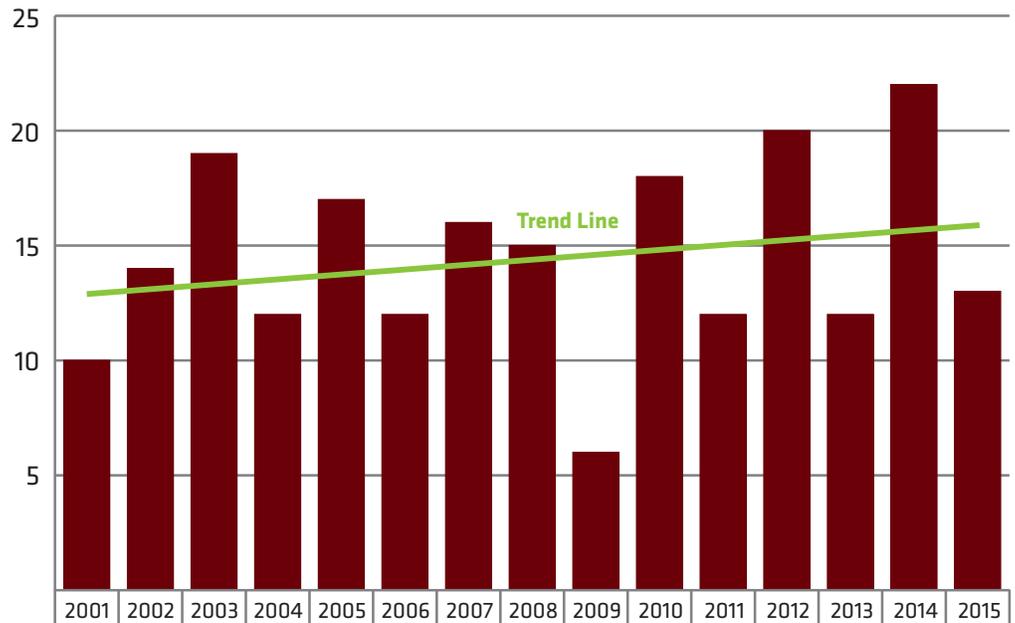
In and of itself, Genoa represents the convergence of two of the most active segments in health care M&A.

At its heart, the company is a **specialty pharmacy services provider** – a market segment that has drawn substantial interest from the public markets and private equity alike as providers look to offset skinny margins by bulking up their therapies and revenues.

At first glance, based on proprietary transaction data collected and analyzed by The Braff Group, it might appear that since 2001, transaction volume has bounced around aimlessly. But when you look closer, two patterns emerge. First, the sector has produced a repeated, two year cycle of volume going up one year, and down the next. This is likely due to the fact that in specialty pharmacy, transaction volume is driven more by the **availability** of increasingly sizable acquisition candidates vs. **demand** (which has remained consistently high). Second, despite this "whipsaw" pattern, when you add a trend line, we can see that the space has been in a prolonged period of sustained – and slowly escalating – volume. Moreover, the space has produced some of the largest, blockbuster transactions that keeps specialty Rx very much in the health care M&A limelight.



## Specialty Pharmacy Deal Trends



But Genoa also has a second heart.

And this is where things begin to get interesting.

Unlike traditional SPS providers that offer specialty drugs to treat hepatitis C, rheumatoid arthritis, multiple sclerosis, cancer, hemophilia, Crohn's disease, and other chronic conditions, Genoa focuses on **behavioral health medications**.

And as vibrant as the M&A market has been for pharmacy services, it has been even stronger in behavioral health. Due to a combination of factors including (a) parity legislation that requires insurers to offer mental health benefits "on par" with medical benefits, (b) attractive margins, (c) an M&A market that was largely untapped, and (d) increased demand for, and utilization of services, behavioral health has rocketed to the top of the health care service M&A charts, topping the 100 deal mark in 2014 and 2015. (See chart on next page.)

So, before you even add an acquisition, Genoa is already like Certs. You know, two "mints" in one. And we do mean, mints.

Now let's add 1DocWay to the equation.

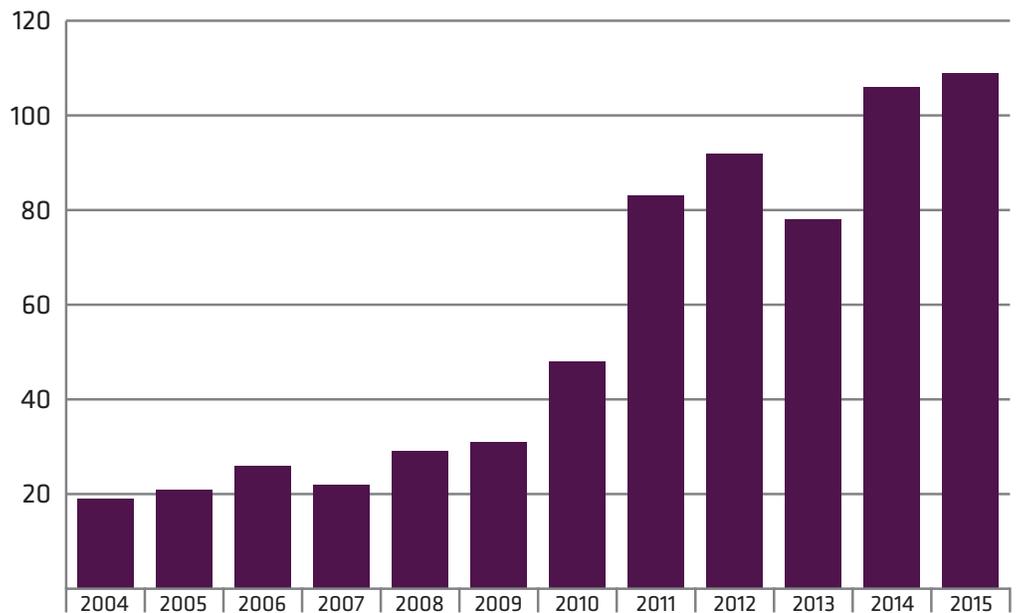
At its core, 1DocWay is a mental health company, providing psychological therapy and counseling services to patients in need. So the transaction carries with it the imprimatur of behavioral health care.

Perhaps even more noteworthy, however, is the fact that the company delivers these services via telehealth. That's like pairing up "The Donald" with a smartphone. He's bigger than life as he is. But give him 144 characters and an internet connection, and he's "YUGE."

Telehealth has been around for many years, but has never quite broken out as a game changer. Sure, the benefits were there. But the economic model wasn't. But now we are at an **inflection point in health care economic policy**. Seemingly overnight, insurers are lining up to embrace – **and reimburse** – telemedicine as a viable clinical intervention that can also serve as a gating mechanism to direct patients to the most cost-effective treatment settings (and keep them out of the emergency room). Moreover, from a utilitarian perspective, being far less reliant on hands-on sensory diagnostics, psychiatry and mental health services are ideally suited to this medium.



## Behavioral Health Care Deal Trends



So now with the 1DocWay deal, Genoa is a specialty pharmacy/behavioral health/telemedicine company that can feed itself bi-directionally. Not only should the telehealth addition provide Genoa with access to more mental health patients that may require specialty pharmacologicals, but, the pharmacy should also open up opportunities to greatly expand the telehealth platform.

**And that's a fusion of growth opportunities and value enhancers that can turn the 1 + 1 = 3 M&A equation from cliché to cachet.**

Perhaps you're thinking, "All very interesting, but what does this have to do with me?"

Well, the creative thinking underlying the deal may be extremely relevant if you think you may pursue a sale one day. (And really, who hasn't, especially when your employees are going all "Game of Thrones" in a desperate struggle to control the office thermostat.)

In an increasingly integrated health care delivery system where competitive advantage is shifting from size to collaborative membership in local or regional coordinated networks, your best buyer may not be among the "usual suspects" that are already in your sector. It may be an insurer that wants greater access to, and control of, high cost patients with chronic conditions. It may be a hospital system seeking to round out its accountable care organization with an IV company that can manage patients far more cheaply in the home than in the hospital setting. It may be a drug manufacturer or distributor looking not only for greater access to patients, but greater access to utilization and outcomes data, the newest currency in health care services.

And if you can ferret out such a unique, highly strategic, synergistic deal, you can likely ferret out an equally unique, highly strategic, and synergistic price.

That's one valuable ferret.



## INTELLIGENT DEALMAKING IN PHARMACY SERVICES M&A

The Braff Group is the leading health care services mergers and acquisitions advisory firm with a team of dealmakers focused exclusively on pharmacy services.

For more than fifteen years, we have provided sell-side only transaction services to the pharmacy and infusion therapy provider community.

With more than 250 transactions completed, The Braff Group is ranked #1 in health care mergers & acquisitions.<sup>1</sup>

But we never forget that **your deal** is the one that matters to you.

Let us make it a great one.

<sup>1</sup>Source: Thomson Reuters, based on number of deals between 2007 and 2015.

### FOR MORE INSIGHT INTO THE M&A MARKET FOR PHARMACY SERVICES AND WHAT IT MAY MEAN TO YOU, CONTACT OUR PHARMACY SERVICES TEAM:

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