

WHAT'S NEXT FOR HEALTHCARE INFORMATION TECHNOLOGY?

Regardless of the sector, nearly every healthcare organization has made significant investments in technology, as data and computing became essential in the healthcare setting during the COVID-19 pandemic. In addition to the pandemic, healthcare IT also saw an uptick in M&A activity in certain sub-sectors and healthcare regulations continue to evolve to adapt to this new environment.

TOP TRENDS IN HEALTHCARE IT FOR 2020

- Capital markets activity for healthcare technology - especially those that employ artificial intelligence and data-driven solutions - saw a dramatic acceleration as strategic and financial players sought to partner with innovative, industry-leading companies.
- In the healthcare IT sector, the big and unexpected event of 2020 was the boom in telehealth. The amount of adoption that occurred in a matter of weeks at the beginning of the pandemic-related lockdowns was more than had happened in the last five years. The big question, especially for those looking at potential M&A transactions, is how much of the usage is sustainable vs. one-time demand due to COVID-19 and frothy valuation expectations.
- One of the largest healthcare IT transactions of the year was the \$18.5B merger between telehealth players Livongo and Teladoc, further underscoring the growing importance of virtual health as a viable, cost-effective and efficacious alternative.

\$29.65 BILLION

*Teladoc's
market cap
after completing
Livongo merger.*

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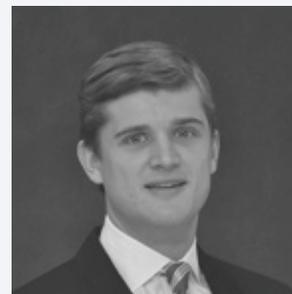
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- The second half of 2020 saw a sharp increase in deal activity across the revenue cycle spectrum, including the acquisitions of eSolutions, VitalWare, RevWorks and RSource. Providers, facing mounting margin pressure and new operational challenges, want to automate, optimize and accelerate reimbursement. Payers, by contrast, want to ensure they are only reimbursing care for which their members are eligible and those parts of the bill for which they are responsible.
- HIPAA, state data security laws and HITECH's health IT certification requirements continue to directly impact and drive healthcare IT software businesses. Technology needs required by CMS to enable healthcare providers' reporting under Merit-based Incentive Payment System (MIPS) and other CMS payment programs is also a factor for healthcare IT companies.
- The 21st Century Cures Act regulations released in May 2020 setting out the Information Blocking and Interoperability Rules, including the change from certification testing to "real-world testing," will likely **be more impactful** in the coming years.

WHAT WE EXPECT IN 2021

- The rapid adoption of telehealth could provide a positive pathway for many who may not be able to visit healthcare centers and have challenges gaining access to treatment. Different types of providers vary in their opinion on the benefits of telehealth and if care can be delivered as effectively through the platform.

“COVID-19 created an environment that has separated the great health care tech companies from mediocre ones. And for a select cohort of companies – namely those in digital health – COVID-19 created tremendous tailwinds that have driven values to unprecedented levels.”



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- The scope and speed of telehealth utilization have happened so fast that the next several years are going to result in a variety of revisions to what is already in place rather than a structured process to build systems based on industry standards. Ultimately, the widespread adoption of telehealth hinges on how it's reimbursed. Virtual care may be popular among patients, but if providers can't get paid for their services, it's unlikely they'll be able to continue to provide them.

2020 HEALTHCARE IT CLIENT HIGHLIGHTS



Assisted in the formation of CareBridge through the acquisitions of HealthStar and Sinq Technologies, two companies that provide long-term support services-related technology solutions and its investment from Oak HC/FT, Google Ventures (GV) and other strategic investors.



Represented Susquehanna Growth Equity (SGE), a growth equity fund, in its investment in ProviderTrust, the market leader in ongoing monitoring and verification software for healthcare organizations and vendors.

- The pandemic has made it clear that data is critical to make decisions promptly. We will see more tools that can be tailored to specific use cases, including software tailored to the workflow and care-specific needs of outpatient settings, where regulation, billing protocols and governance require specific capabilities. Tools like these can help strike a balance between efficiency and quality of care.

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- Considerations regarding patient privacy, data security and cyber compliance in healthcare M&A transactions will only increase as we continue to navigate a pandemic and **prepare for what the future might look like**, including greater usage of technology in the healthcare setting.
- The Cures Act Information Blocking and Interoperability Rules and MIPS and Medicare Promoting Interoperability will likely have the biggest impact on health IT decisions in 2021. The push to enable a patient-controlled medical record is already driving a lot of innovation and development in that area. Technology, again, is increasingly tailored to the workflow and billing requirements across numerous settings and, furthermore, there is a growing demand for interoperability and data sharing across the continuum.
- Compliance with the Cures Act regulations begins in April 2021 and healthcare IT software development required for compliance spans three years. HHS's objective to give patients control over their records has been the driving motivation in the Cures Act regulations and recent HIPAA proposed regulatory updates. The interaction between HIPAA, HITECH, MIPS and other CMS programs and the Cures Act regulations is something that all health IT businesses should be monitoring.
- In addition to HIPAA, HITECH and the Cures Act, the federal Anti-kickback Statute and the False Claims Act has become a more prominent focus in government scrutiny of health IT businesses, particularly those which develop and license certified health IT.

Porter Meadors and Jack Jeong with Brentwood Capital Advisors, and Beth Pitman and Nathan Kottkamp, partners in Waller's healthcare and compliance practice group, contributed to this report.

“I’ve seen an increase in the use of third party IT security testing, updating of network infrastructure, and increased acquisition of healthcare IT that facilitates the patient-provider relationship, telehealth, improves reimbursements and collections, and boosts healthcare provider analytics needed for reporting.”



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