

Commentary

- Managed care organizations (“MCOs”) have experienced an active transaction landscape through July 2023 with 13 announced deals. We expect the level of deal activity to remain robust through the second half of this year.
- Through July 2023, MCOs’ share prices have underperformed the broader equity markets. This can largely be attributed to expectations of elevated medical loss ratios (“MLRs”) as care utilization ticks up post COVID-19 pandemic.
- However, second quarter earnings results for key public MCOs that serve as bellwethers for the wider MCO space showed that increases in MLRs were tamer than expected, which sent share prices of MCOs up notably in July. While we have seen a recent uptick in share prices from this news and improved investor sentiment, MCO share price performance still lags major indices.
- Centers for Medicare and Medicaid Services (“CMS”) has uncovered issues within the procedural processes certain states are using to disenroll Medicaid enrollees. This has caused CMS to require certain states to stop their redetermination process entirely until they can alleviate the inaccuracies. CMS is pushing states to follow the flexibility plan they imposed in June in order to create a longer, more in depth process for Medicaid redetermination decisions.
- Interest and opportunity remain high for MCOs looking to expand into other healthcare segments. Recent deals such as Optum, Inc. acquiring Amedisys, Inc. (NASDAQ: AMED), show the push into the home health and hospice space. This is the next major deal following CVS Health’s (NYSE: CVS) recent acquisition of senior focused provider Oak Street Health (NYSE: OSH). We expect this type of market action to continue throughout the rest of the year.

Select 2023 MCO M&A Transactions

Announced Date	Acquirer	Target	Seller	Target Industry	Deal Value (\$MM)
06/30/23	Molina Healthcare, Inc. (NYSE: MOH)	Brand New Day, Central Health Plan of California	Bright Health Group, Inc. (NYSE: BHG)	Managed Care	~510
06/26/23	UnitedHealth Group, Inc. (NYSE: UNH)	Amedisys, Inc. (NASDAQ: AMED)	Amedisys, Inc. (NASDAQ: AMED)	Healthcare Provider	~3,300
05/03/23	New Mountain Capital, L.L.C.	Apixio, Inc.	Centene Corporation (NYSE: CNC)	Healthcare Technology	N/A
05/01/23	Blue Cross and Blue Shield of Michigan	Blue Cross and Blue Shield of Vermont	Blue Cross and Blue Shield of Vermont	Managed Care	N/A
02/08/23	CVS Health (NYSE: CVS)	Oak Street Health (NYSE: OSH)	Oak Street Health (NYSE: OSH)	Value-Based Primary Care	~10,600
01/23/23	Elevance Health (NYSE: ELV)	Blue Cross and Blue Shield of Louisiana	Blue Cross and Blue Shield of Louisiana	Managed Care	~3,500

PUBLIC COMPANY TRADING MULTIPLES

Company	Ticker	07/31/23 Close Price	YTD Price Change	07/31/23 Close Price as % of 52-Week High	07/31/23 Market Cap.	LTM Financials ¹		EBITDA Margin	Market Cap. / LTM	
						Revenue	EBITDA		Revenue	EBITDA
UnitedHealth Group, Inc.	UNH	\$506.37	(6.6%)	90.7%	\$471,447	\$348,515	\$33,297	9.6%	1.4x	14.2x
Elevance Health, Inc.	ELV	471.63	(1.1%)	85.8%	111,139	165,716	10,618	6.4%	0.7x	10.5x
CVS Health Corp.	CVS	74.69	(21.9%)	69.6%	95,754	329,915	19,175	5.8%	0.3x	5.0x
Cigna Corp.	CI	295.10	7.2%	86.8%	87,312	182,798	9,917	5.4%	0.5x	8.8x
Humana, Inc.	HUM	456.83	(5.2%)	80.0%	57,079	95,642	5,036	5.3%	0.6x	11.3x
Centene Corp.	CNC	68.09	(26.8%)	69.1%	36,869	138,273	6,315	4.6%	0.3x	5.8x
Molina Healthcare, Inc.	MOH	304.49	(7.1%)	81.4%	17,752	31,835	1,676	5.3%	0.6x	10.6x

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Sources: S&P Capital IQ Pro, LevinPro HC, Becker's Payer, The Motley Fool, Healthcare Dive, Morgan Stanley, CVS.
Footnotes: 1. LTM financials as of most recent filings.