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BBH Capital Partners Select Healthcare Investment Theses

BBH Capital Partners (BBHCP) provides highly customized capital solutions to lower middle-market companies. Our flexible investment mandate gives us the ability to act as a control or non-control investor and to structure our investments as a combination of equity and subordinated debt securities as needed. We are currently investing through BBH Capital Partners VI, L.P. (CP VI) and CP Opportunities Fund, L.P. (CP Opportunities).

As part of our investment focus on the healthcare space, BBHCP has been actively targeting four new areas for potential opportunities:

Outsourced Solutions to Facilitate Value-Based Payments

The U.S. healthcare system is in the early stages of transitioning from fee-for-service reimbursement to a larger mix of value-based payment reimbursement, which is tied to cost containment and the quality of patient outcomes. Due to the inherent complexity of value-based payment contracts, there is a significant demand from providers and payors for outsourced services and tools that can facilitate the implementation and management of value-based payment contracts.

- **Areas of Interest:** Patient assessments, care management, value-based payment administration services, revenue cycle management, contract negotiation and reporting

Decision Support Technology and Services for Payors and Providers

With the move toward value-based reimbursement, payors and providers require more sophisticated decision support tools to successfully manage the cost of specialty pharmaceuticals, diagnostic tests and complex medical procedures. Five percent of the population accounts for over 50% of healthcare expenditures, which is driven by the consumption of high-cost specialty pharmaceuticals, diagnostic tests, complex medical procedures and complications from chronic illness. Decision support tools are mission-critical in helping payors and providers utilize evidence-based software and services to contain costs by ensuring medical necessity and reducing medical errors for both diagnosis and treatment plans.

- **Areas of Interest:** Care management platforms, health risk assessments, analytics-as-a-service, network optimization, referrals and authorization, precision medicine

Cost Containment Services and Tools for Self-Insured Employers

There is an increasing movement by midsize and large employers toward self-insurance in order to control rising employee healthcare costs. Furthermore, to manage the risk of self-insured programs, employers rely on third-party companies to offer cost containment solutions. These third-party companies solve major pain points for employers, including: plan design, administration and management, price transparency and provider network optimization, and management and mitigation of claims risk.

- **Areas of Interest:** Self-funded third-party administrators, reference-based pricing providers, consumer navigation platforms, group captives/risk consortiums

Electronic Health Record Managed Services

An electronic health record (EHR) managed services company provides outsourced IT staffing and support services for EHR systems to a wide array of healthcare providers. There is increasing demand for EHR managed services driven by providers' focus on mitigating costs, ensuring access to EHR expertise, maximizing the value of costly EHR systems and the increasing prevalence of value-based reimbursement and requisite data capabilities.

- **Areas of Interest:** EHR application and desktop support, security and compliance, clinical IT "help desk," telehealth, application hosting

Flexible Mandate

The flexibility of our investment mandate is a key differentiator for management teams and co-investors. We evaluate both control and non-control transactions and can invest in a range of securities, including equity, subordinated debt or some combination of the two. Unlike many other funds, there is no set formula for the equity-debt split, which gives us the ability to customize a capital structure that we believe is appropriate for each investment.

Deal Types

BBHCP provides capital to facilitate the following deal types:

- Management or leveraged buyouts
- Growth equity
- Minority or majority recapitalizations (including dividend recaps)
- Ownership transitions and generational transfers
- Buy-and-build strategies
- Acquisitions or industry consolidations

CP VI

- **Fund Size:** \$1 billion
- **Investment Size:** \$40 million to \$150 million (substantially larger investments with co-investments and limited partners)
- **Enterprise Value:** Up to \$500 million

CP Opportunities

- **Fund Size:** \$250 million
- **Initial Investment Size:** Up to \$30 million (additional funds available for subsequent investment)
- **Enterprise Value:** Up to \$100 million

Healthcare Industry Expertise

Key Investment Criteria

- Businesses that serve a cost containment function, improve patient outcomes and enhance revenue for payors and providers.
- Recurring revenue model; scalable business in growing (and preferably fragmented) markets; favorable reimbursement profile and the ability to form collaborative relationships with commercial payors/managed care providers and hospital groups.

Other Areas of Interest

- Post-acute providers:
 - Home care/home health
 - Hospice and palliative care
 - Specialty infusion services
 - Rehabilitation
- Outsourced services to hospitals
 - Outsourced provider staffing services
- Care management for chronic and acute conditions
- Behavioral health
- Outsourced services to pharmaceutical
 - Generic pharma production
 - Specialty pharma distribution
 - Prescription drug adherence
 - Outsourced compliance services
- Single-use medical devices and medical supplies
- Animal health
- Dental and vision

Key Healthcare Contacts:

Bradley M. Langer
212.493.5525
bradley.langer@bbh.com

Matthew R. Pemberton
212.493.7603
matthew.pemberton@bbh.com

Bradford R. Corbin
212.493.5553
bradford.corbin@bbh.com

Kyle B. Barndollar
212.493.8424
kyle.barndollar@bbh.com

Alice M. Birnbaum
212.493.8920
alice.birnbaum@bbh.com

140 Broadway
New York, NY 10005
212.425.1818
www.bbh.com

Current Healthcare Portfolio Companies

ETHOS
VETERINARY HEALTH

American
PHYSICIAN PARTNERS

Haven
BEHAVIORAL HEALTHCARE

Selected Historical Investments

All Metro
HEALTH CARE

One Call
Medical[®]
Inc.

Best Doctors • **PICIS**

IHG Interplan Health Group
PPD Networks • AmeriScript • Superian

MedSource
Technologies

COORDINATED
Home Health
Caring since 1984

PSI
Psychiatric Solutions

KabaFusion
Patient-Centric Infusion Therapy

Community Hospices
of America

charles river

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PB-03964-2020-10-01 Expires 10/31/2022