



**CAPITAL  
ALLIANCE**  
EST. 1999

**Mergers & Acquisitions | Capital Markets | Strategic Advisory**

## Outpatient Behavioral Health Remains a Hotbed of Investment

- Investment in mental health services in the United States has increased significantly over the past few years; yet there remains a gap between inpatient care and outpatient care. This gap has created an influx of interest and capital into the outpatient treatment modalities as M&A in inpatient facilities cools off.
- A growing number of providers are turning to acquiring intensive outpatient programs (IOPs) as an effort to provide sub-acute care after a stay in an inpatient program. Payors, who are looking to keep patients out of higher-cost inpatient facilities, have expanded access to IOP programs, reducing the need for more acute care.
- In July of this year, the U.S. Centers for Medicare & Medicaid Services proposed a new rule that would allow Medicare coverage of IOP programs for both mental health and substance use disorder treatment. This proposed rule would create an opportunity for clinicians to step-down care. Well-established IOP programs are poised to capitalize on the industry momentum, as strategic and private equity-backed platforms seek to expand their portfolio of wraparound care services. This broadening of step-down service offerings has resulted in the majority of acquisitions completed this year being follow-on investments rather than platform acquisitions by private equity.
- M&A activity in the behavioral health industry peaked in 2021, with 266 transactions closed. 2022 experienced a modest decline in deal volume to 201 completed transactions coupled with an erosion of EV/EBITDA multiples paid for deals as the cost of capital increased and leverage covenants tightened. In 2023, deal flow has trended in line with 2022, that said, we continue to see demand hold strong for outpatient treatment providers, including those offering IOP programs, and a renewed interest in potential deals that didn't make economic sense in 2021 when valuations were reaching frothy levels.
- Given the favorable industry tailwinds from both the provider and payor sides, we expect demand for quality outpatient behavioral health companies to continue and drive an active M&A market for the foreseeable future.

## Recently Completed Hexagon Behavioral Health M&A Transactions



*With 300+ Completed Transactions In The Firm's 22-Year History, Hexagon Capital Alliance's Investment Bankers Know The Appropriate Industry-Specific Strategic Buyers, Private Equity Groups, And Family Offices To Approach On Behalf Of Our Clients.*

## Select Healthcare Services Transactions

  
**IMAGENET**  
ACCELERATE PRODUCTIVITY

has been acquired by

  
**bv** INVESTMENT PARTNERS  
SINCE 1983

 **sequoia**

a portfolio company of

 **Bootstrap**  
VENTURE PARTNERS

has been acquired by

 **Riverside**  
PARTNERS

**Penetrex**

has been acquired by

 **wellbeam**  
CONSUMER HEALTH

a portfolio company of

 **AMERICAN PACIFIC GROUP**

**The Everett Clinic**  
For the whole you.

has been acquired by

 **Davita**



**PROPHARMA**  
GROUP

has been acquired by

**LINDEN**

Community **Psychiatry**

has been acquired by

 **NEW HARBOR**  
CAPITAL

**KADLEC**

formed an affiliation with

 **PROVIDENCE**  
Health & Services

We provided investment  
banking services for

 **Medstreaming**  
The Practice of Innovation



has been acquired by

**St. Joseph Health**  
St. Joseph Heritage Healthcare

 **BEHAVIORAL**  
HEALTH WORKS

has been acquired by

 **TA ASSOCIATES**

We provided investment  
banking services for

 **OVERLAKE**  
MEDICAL CENTER & CLINICS

**MEMORIAL**

formed an affiliation with

 **Virginia Mason**

 **CODECORRECT**  
An ACCURO Company

has been acquired by

 **ucg**

We provided investment  
banking services for

 **SRM**

**KMH**  
CARDIOLOGY CENTRES INC.

has acquired

 **Advanced Imaging**  
of North Charlotte

## Contact Our Health Services Team

**Paul Kacik | Managing Director**  
949-232-4446

pkacik@hexagoncapitalalliance.com

**Bradley Erhart | Director**  
714-222-2679

berhart@hexagoncapitalalliance.com

**Daren Oddenino | Director**  
214-918-2005

doddenino@hexagoncapitalalliance.com