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April 30, 2018

Great Hill enters risk-adjustment space with deal for Nashville's Vatica Health

Deal Flow

By Sarah Pringle

- Vatica: risk-adjustment services at healthcare provider setting
- Great Hill investment team: Taber, Cofino, Byrnes
- Nashville company doubled every year since Rifaat joined as CEO in 2014

Great Hill Partners is the latest sponsor to snap up a piece of the risk-adjustment market, through its deal for Nashville startup **Vatica Health**.

The majority recap of Vatica comes after the health-risk-assessment company tapped **Triple Tree** last fall to run a limited sales process aimed heavily at sponsors, CEO **Hassan Rifaat** told Buyouts.

"Since the day I started four years ago, we had inbound interest, but we had certain objectives we wanted to achieve," Rifaat said.

Rifaat declined to divulge financial details of the transaction, but he said Vatica's top line has doubled every year since he took the post as CEO in early 2014.

Vatica was initially financed by its two founders — former CEO **Steven Zuckerman** and Chief Medical Officer **Averel Snyder** — alongside 15 to 20 individual investors including himself, the CEO added.

Boston-based Great Hill typically invests \$25 million to \$200 million of equity in mid-market growth companies.

Broadly speaking, risk-adjustment providers collect patient data, which private health plans then use to bill Medicare. No treatment is provided, but clinicians identify and document health issues that are used to adjust an individual's "risk score."

Vatica differs from others in the market in that its clinical consultants go into doctors' offices to provide risk-adjustment services, Rifaat said.

Most traditional risk-adjustment companies focus on either in-home health assessments or medical-record retrieval after the fact, he explained.



Mark Taber, managing partner, Great Hill Partners. PHOTO COURTESY OF THE FIRM.

Mark Taber, managing partner at Great Hill, said risk-adjustment is an area the firm proactively began researching in 2016.

Provider-Centric

Risk adjustment "will shift to become more provider-centric, which offers the highest quality HCC coding for health plans, while simultaneously helping to eliminate gaps in care for patients," he said.

"We think Vatica is well-positioned to capitalize on this shift and intend to invest aggressively to expand their market offerings."

The deal is also a way to play into the trend of growth in Medicare Advantage, which is where Vatica is predominately focused today, he noted.

Besides Taber, **Rafael Cofino** and **Craig Byrnes**, partner and principal at Great Hill, joined the Vatica board in connection with the transaction.

One notable investor in the broader health-assessment universe is **New Mountain Capital**, which simultaneously bought and combined **CenseoHealth** and **Advanced Health** last year.

In doing so, New Mountain established the largest provider of in-home health risk assessments to seniors with Medicare Advantage health insurance plans.

Terms weren't disclosed, but the combined company is projected to surpass \$80 million in Ebitda for 2018, sources told Buyouts at the time.

The fusion of CenseoHealth and Advance Health also established a company that surpassed its top rival, PE-backed **Matrix Medical**.

Frazier Healthcare Partners bought a 60 percent equity interest in **Providence Service Corp's** Matrix in an October 2016 deal that valued the company at about \$538 million. Providence bought Matrix from **Welsh, Carson, Anderson & Stowe** two years earlier for \$400 million.

There's also **MedXM**, the risk-adjustment company that **Quest Diagnostics** bought this year following a JMP Securities-run auction. ❖

Action Item: Get in touch with Great Hill's Mark Taber at taber@greathillpartners.com

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