



WHAT'S NEXT FOR BEHAVIORAL HEALTH?

Overall the behavioral healthcare industry weathered the COVID-19 storm more favorably than other healthcare sectors in 2020 due to an increased demand for its services as mental health concerns ballooned. 2020 saw many Americans facing heightened stress, anxiety, depression, and substance abuse issues as a direct result of the isolation, job loss, economic stress, home-schooling and less social interaction that accompanied the pandemic.

TOP TRENDS IN BEHAVIORAL HEALTH IN 2020

- While providers saw an initial drop in patient volumes in March and April, due in part to a decline in emergency room referrals and service interruptions, the impact of federal stimulus monies and the emergency loosening of federal telehealth regulations proved advantageous for the behavioral health sector, which pivoted to virtual care while the need for services continued to rise.
- This new telehealth flexibility, long-sought-after in the behavioral health field, allowed providers to reach their patients “where they are,” a term that encompasses not only a person’s physical location, such as reaching patients in a rural setting, but also finding solutions to a wide variety of mental health and social determinant factors that include safety, stigma or lack of transportation or child care that have traditionally created barriers to the provision of services to the hardest to reach behavioral health populations. Uses of telehealth included everything from virtual AA meetings to partial hospitalization programs and intensive outpatient programs.
- M&A activity somewhat mirrored patient volume trends in behavioral health where a strong flow of deals at the beginning of the year slowed in the second quarter only to pick back up in the

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fourth quarter with multiple deals closing by the end of the year. The most active subsector in behavioral health transactions continued to be in the addiction treatment space.

WHAT WE EXPECT IN 2021

- A highly fragmented market, behavioral health remains high on the private equity radar. Activity is rebounding and expected to pick up quickly in 2021 with recent-year trends holding investor attention, including those areas that are seeing increased commercial and public insurance reimbursement such as autism services, substance use treatment and outpatient programs.
- While headwinds for behavioral health are positive, the impact of large plaintiff lawsuits against opioid manufacturers will impact the space while those behavioral health providers serving the underserved will continue to see volatility due to the impact of growing numbers of uninsured and underinsured Americans.
- The positive growth seen in the behavioral health sector before the pandemic is expected to make a strong return in 2021, particularly as the entire healthcare industry begins to emerge from the crisis. Private equity investors, many of whom are sitting on dry powder, are also expected to be increasingly active in the space.
- Meanwhile, the Biden administration provides promising news around the protection or expansion of healthcare

“The nation has been through so much and the delivery of behavioral health services is a key concern. We are continuing to see less stigma around mental health concerns and insurance companies are now required to pay for a variety of services that were not previously covered.”



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BEHAVIORAL HEALTH CLIENT HIGHLIGHTS



Represented **Summit BHC**, a leading provider of addiction treatment and behavioral health services, in its acquisition of **Peak View Behavioral Health**, a 112-bed acute psychiatric and behavioral health hospital in Colorado Springs, Colorado.



Served as lead transactional counsel in **Acadia Healthcare's** joint venture with the **Henry Ford Health System** for a 192-bed psychiatric hospital in Detroit. Waller also provides day-to-day M&A, regulatory, investigation, SEC and labor and employment advice to Acadia, which operates 582 facilities in 40 states, Puerto Rico and the United Kingdom.



Represented **Odyssey Behavioral Healthcare** in its acquisition of **Clearview Centers**, a residential and outpatient provider for addiction and mental health treatment in Southern California, that involved the purchase of membership interests in four limited liability companies.

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coverage, including coverage through the Affordable Care Act and the large Medicaid expansion population that is utilizing behavioral health services. Additionally, while the federal government will certainly roll back many of the emergency regulations that have provided payment for and increased access to telehealth services for the behavioral health community, the expectation is that telehealth services are here to stay.

- Finally, the new Stark and Anti-Kickback Statute provisions – the majority of which are expected to go into effect in late January – will provide increased opportunities for new business partnerships in the behavioral health space.

Colbey Reagan, Partner with Waller, contributed to this report.

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