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ResMed wins Deal of the Year for the purchase of Brightree, underscoring trends in healthcare M&A

By Demetri Diakantonis

In a transaction that embodied many underlying trends in the healthcare sector, ResMed Inc. (NYSE: RMD), a provider of medical devices that treat patients with sleep disorders, bought Brightree, a developer of cloud-based software to improve clinical and business performance for post-acute-care (PAC) providers, for \$800 million. The purchase underscores the ongoing shift in the U.S. healthcare system from a fee-for-service model to a fee-for-value model and the need for players across the healthcare continuum to use informatics and data analytics as tools to share information and deliver care more efficiently.

“Brightree was an important and immediately accretive strategic acquisition for ResMed. It exemplified a double-down on our ongoing investments to leverage connected care and digital health, and to change the basis of competition in our industry,” ResMed CEO Mick Farrell told Mergers & Acquisitions in a March 2017 interview. “One year from announcing the acquisition, we can reaffirm our goals going in: Brightree represents a big step forward for ResMed, fulfilling our role as the world’s leading tech-driven medical device company, liberating data and unlocking incredible value for our customers.”

ResMed began growing in healthcare data when the company bought Jaysec and CareTouch in 2015. Jaysec uses interactive voice, text and email to direct patients to a self-serve portal for authorization of home medical equipment resupplies. CareTouch provides call-center contacts for patients to assist them with orders, payments and other customized reports.

Atlanta-based Brightree distributes cloud-based software that assists healthcare professionals with billing management and uses data to help them improve business operations. ResMed, headquartered in San Diego, makes medical devices that treat patients with sleep apnea and other sleep-related breathing problems. ResMed was a customer of Brightree’s data before the transaction was announced.

The Brightree purchase expands ResMed’s presence in healthcare data and information, and it is part of the company’s ongoing growth strategy of helping customers improve patient quality of life, slow the



progression of chronic disease, and lower overall healthcare system costs. “Brightree’s Software-as-a-Service (SaaS) solutions provide a vast array of operational efficiencies and improvement of our customers’ cash-flow while helping them deliver best-in-class patient care,” Farrell said in the interview.

As the U.S. healthcare system looks to control costs by shifting the provision of more care out of hospitals and into lower-cost PAC settings, improved communication, coordination, and information-sharing among healthcare providers at all levels will be essential, said Karl Palasz, managing director, William Blair & Co., which advised Brightree on the transaction. “Software such as Brightree’s will play a central role in the coordination of care and monitoring of patient outcomes. Relative to hospitals and physician clinics, the post-acute care segment has underinvested in technology solutions, creating an enormous need for system-wide improvements. Although Brightree ultimately was sold to a strategic buyer, the highly competitive sale process generated intense interest from technology-focused financial sponsors. The process shined a spotlight on the PAC market’s need for further technology investment and eventual consolidation.” Increased activity from private equity firms is expected.