

# TM Capital's Behavioral Health Spotlight

Fall 2024



# Behavioral Health Sector Overview



## Sector Insights

“ Following several years of robust dealmaking in the behavioral health sector (and an accompanying run-up in valuations, particularly for autism and I/DD platforms), investors remain broadly interested in the category. Many healthcare-focused PE firms are actively exploring new avenues to capitalize on the rapidly evolving behavioral health landscape, characterized by new paradigms in care delivery, technological advances, reduced stigma around mental health, and a dynamic regulatory environment. Care continues to migrate outside traditional settings, with digital solutions (e.g., telehealth and coaching / self-help platforms) quickly gaining provider and payor support while providing greater flexibility and lower costs vs. office-based alternatives.

Clear tailwinds support continued growth in behavioral health investments - an estimated one in five U.S. adults lives with a mental illness, yet meaningful supply / demand constraints and a lack of qualified providers in many markets have inhibited access to care. Notably, the White House’s recent ruling on mental health parity has the potential to broaden access and coverage for more than 150 million individuals with private health insurance, meaningfully expanding the addressable market for behavioral health platforms with the resources and providers to meet this growing demand.

The behavioral health market remains highly fragmented, with care delivery often “local”. Assets offering provider and payor / code diversity, a differentiated outcomes-focused approach, and an ability to “meet patients where they are” are drawing the greatest investor interest. Increasingly, companies providing ancillary services into the behavioral health universe (e.g., provider training and certification) are drawing strong investor interest as a means to de-risk investments versus traditional front-line therapy models. As a number of PE-backed platforms mature, we expect strong transaction activity across the sector in 2025.

**John Dean**  
Director, TM Capital

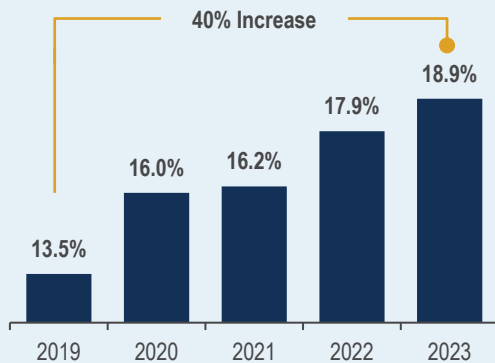
## Sector News

**Biden Administration Finalizes Stronger Rules On Mental Health Coverage Parity**

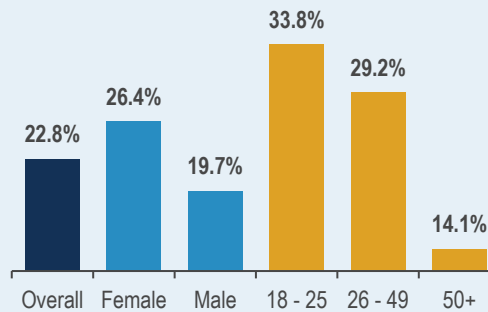
CDC Data Show Improvements in Youth Mental Health but Need for Safer and More Supportive Schools

**Private equity is flying to behavioral health. What’s up with that?**

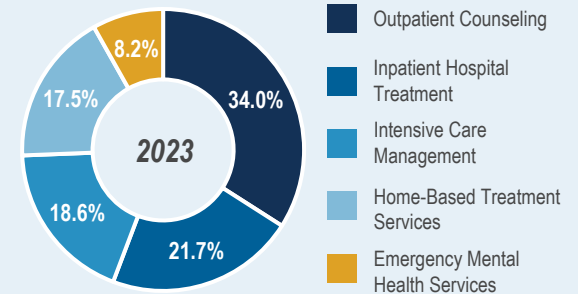
% of Patients with Mental Health Diagnoses <sup>(1)</sup>



Mental Illness Among U.S. Adults - 2023 <sup>(2)</sup>



U.S. Behavioral Health Market Share by Service <sup>(3)</sup>



(1) FAIR Health, Inc.  
(2) SAMHSA  
(3) Precedence Research

# Trends to Watch

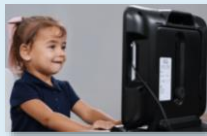
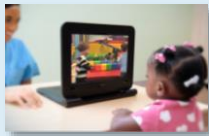
Significant advances in technology and a changing care delivery landscape have meaningfully expanded patient access to care, enhanced and accelerated diagnoses, and enabled more precise measurement of patient outcomes

## Technological Advancements to Enhance Access and Outcomes



- Atlanta-based EarliTec Diagnostics has developed an innovative technology suite to diagnose and assess autism in children as young as 16 months of age, enabling physicians and patients to begin treatment earlier and assess therapy outcomes more granularly and objectively, which will lead to enhanced patient outcomes
- Jim Grien, TM Capital's Co-Head and Vice Chairman of Investment Banking, is a long-time board member of EarliTec, which was originally incubated at the Marcus Autism Center, the nation's preeminent non-profit focused on autism research
- The company's FDA-authorized EarliPoint Evaluation is a tablet-based device that uses eye tracking technology to measure and quantify social-visual engagement, comparing a subject child's eye focus areas during a specially created video to a clinically validated database to identify potential developmental vulnerabilities
- We expect investor demand for technology-based behavioral health solutions to further increase, either as standalone investment opportunities or as a complement to widen the funnel of patients in investors' existing facility- or community-based therapy platforms

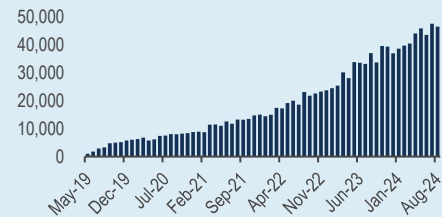
### EarliPoint Evaluation



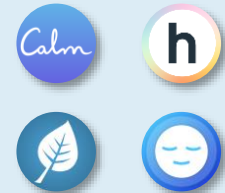
## Evolving Care Delivery Models

- A proliferation of new digital health tools (which are increasingly offered in employer-sponsored health plans) are enabling individuals to access remote behavioral care solutions without the need for traditional in-office visits
- A 2022 American Psychological Association survey<sup>(1)</sup> indicated ~60% of psychologists reported no openings for new patients, highlighting the need for these digital solutions, particularly for empowered consumers seeking to self-manage their behavioral health needs
- While telehealth utilization increased rapidly during the COVID-19 pandemic (and remains meaningfully higher than pre-pandemic levels), the regulatory landscape remains complex. The Drug Enforcement Agency recently proposed an extension through 2025 for pandemic-era rules which enable providers to prescribe controlled substances via telehealth
- Despite these regulatory uncertainties, a proliferation of providers have expanded patients' access to transformative mental health treatments. For example, ketamine can be administered at home via telehealth, and treatments such as transcranial magnetic stimulation ("TMS") can be performed in many jurisdictions via non-physician technicians under remote medical supervision - with these advancements enhancing patient throughput and further mitigating the impacts of qualified provider shortfalls

### Monthly U.S. Prescriptions for Spravato<sup>(2)</sup>



### Mental Health Apps



(1) American Psychological Association 2022 COVID-19 Practitioner Impact Survey  
 (2) Iqvia Institute for Human Data Science via The Wall Street Journal

# Select PE-Backed Platforms



  (Invested 2019)	  (Invested 2021)	  (Invested 2017)	  (Invested 2018)	  (Invested 2024)	  (Invested 2018)	  (Invested 2017)	  (Invested 2022)
  (Invested 2022)	  (Invested 2019)	  (Invested 2023)	  (Invested 2018)	  (Invested 2021)	  (Invested 2020)	  (Invested 2020)	  (Invested 2019)
  (Invested 2024)	  (Invested 2023)	  (Invested 2018)	  (Invested 202)	  (Invested 2019)	  (Invested 2019)	  (Invested 2020)	  (Invested 2022)
  (Invested 2023)	  (Invested 2018)	  (Invested 2018)	  (Invested 2016)	  (Invested 2022)	  (Invested 2019)	  (Invested 2017)	  (Invested 2018)
  (Invested 2021)	  (Invested 2015)	  (Invested 2024)	  (Invested 2020)	  (Invested 2019)	  (Invested 2018)	  (Invested 2021)	  (Invested 2023)

Autism – I/DD Platform

Mental Health Platform

Substance Abuse Platform

# Sector Activity



## Representative TM Capital Experience – Empower Community Care



has been acquired by



**Comprehensive Behavioral Health Platform**








- TM Capital advised Empower Community Care in its sale to Northlane Capital Partners, a Bethesda, MD-based private equity firm
- Empower is a leading global behavioral health organization offering evidence-based solutions for at-risk youth and adults, including proprietary treatment programs and educational materials, software tools for assessment and case management, and support for the implementation of evidence-based programs
- Notably, Empower does not provide traditional front-line therapy; rather, the company offers ongoing clinician training, support, and outcomes measurement

Date	Target	Acquiror	Description
Oct 2024	Mental Health Partners merged with Clinica Family Health to form Clinica Family Health & Wellness		Mental Health Partners is a nonprofit community mental health center dedicated to providing essential mental health services to individuals and families in need. Clinica Family Health is a federally qualified health center providing affordable primary care to underserved populations.
Sep 2024	Lakeview Health	Bradford Health Services (Lee Equity Partners)	Lakeview Health is a leading behavioral health provider specializing in gender-specific substance use and eating disorder treatment. Bradford Health Services offers nationwide substance abuse treatment and recovery through 40 facilities.
Aug 2024	Austin Psychiatric Consultants	Prime Psychiatry (Albaron Partners)	Austin Psychiatric Consultants (APC) is a psychiatric practice in Central Texas which provides expert care in mental health. Prime Psychiatry is a regional leader in outpatient services for children, adolescents and adults.
Aug 2024	CuraLinc Healthcare	Lightyear Capital	CuraLinc is an innovative provider of employee assistance programs and mental health solutions that supports employees, students and members, serving approximately 9 million individuals globally, including many Fortune 500 Companies.
Jun 2024	Behavioral Innovations	Tenex Capital Management	Behavioral Innovations is a leading provider of center-based Applied Behavior Analysis (ABA) therapy for children with Autism Spectrum Disorder and related disabilities across 77 locations in TX, OK and CO.

To learn more about TM Capital or to discuss our work with clients in this sector, please contact any of TM's healthcare team members listed below:



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### ABOUT TM CAPITAL

Founded in 1989 and now part of Janney Montgomery Scott, TM Capital is the client-first investment banking team advising industry leading companies across North America and around the world. In everything we do, our professionals share a relentless commitment to engineering extraordinary outcomes with an unmatched standard of client care. Over the last three decades, we have completed more than 350 transactions with a combined value in excess of \$25 billion. With offices in Atlanta, Boston and New York, our mission critical capabilities include complex mergers and acquisitions; debt and equity financings; minority and majority recapitalizations; restructurings; and board advisory services. TM Capital is also a founding member firm of Oaklins, the world's most experienced mid-market M&A advisor with 700 M&A professionals in 60 offices operating in the major financial centers around the world. For more information, please visit [www.tmcapital.com](http://www.tmcapital.com).