

Managed Care Valuation Overview



Managed care organizations, including commercial insurers, Medicare and Medicaid managed care, and pharmaceutical benefit managers all play an important role in the healthcare industry as the primary payers. They tend to have low profit margins but generate strong returns on capital for their investors.

KEY FACTORS THAT INFLUENCE MANAGED CARE VALUATIONS

- Type of organization/plan
- Local competition and market
- Medical loss ratio, administrative loss ratio, and overall profit margins
- Technology and infrastructure
- Relationships with and composition of network providers
- Size of the company
- Growth opportunities
- Control-level of subject interest

MARKET DATA FROM CONTROLLING INTEREST TRANSACTIONS

	Size Characteristics			Benchmarks		
	Price (EV)	Revenue	EBITDA	EBITDA Margins	Revenue Multiple	EBITDA Multiple
10th Percentile	\$ 87,172,000	\$ 243,000,000	\$ 13,180,000	2.3%	0.2	5.7
25th Percentile	\$ 164,400,000	\$ 400,675,750	\$ 22,447,698	3.8%	0.4	7.7
Median	\$ 600,000,000	\$ 1,203,600,000	\$ 42,300,000	6.0%	0.6	9.3
75th Percentile	\$ 2,936,559,000	\$ 7,134,050,000	\$ 211,239,712	8.0%	0.9	11.7
90th Percentile	\$ 9,820,000,000	\$ 21,060,901,000	\$ 825,500,800	10.6%	1.1	13.9

Source: Scope Research.