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2025 HCIT Market Recap

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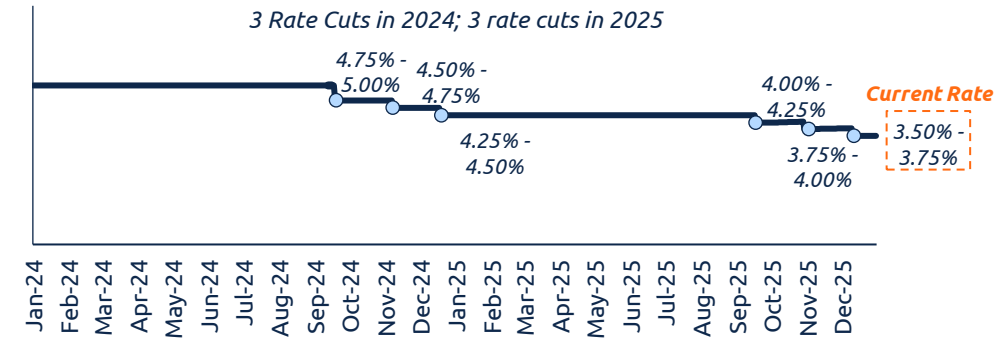
January 6, 2026

Executive Summary

- The macroeconomic environment is becoming more conducive for M&A, with the fed funds rate being cut six times since 2024 (from 5.25% - 5.50% to 3.5% - 3.75%) and equity markets up 30% - 60% since 2024
- The Trump administration took office in January 2025 and HHS/CMS leadership later in Q1, which instituted significant change in federal policy and funding for the coming years
- The One Big Beautiful Bill (OBBB) was passed on July 4, 2025, which included i) extensions and expansions of major tax cuts, ii) significant spending cuts to Medicaid and federal safety net programs, and iii) increased spending allocated towards homeland security
- The new initiatives and guidelines issued by CMS in 2025 created tremendous opportunities for healthcare technology enablement solutions, particularly in Medicare which changes included i) payment rate increase for physicians, ii) new programs like LEAD, BALANCE and ACCESS, iii) greater oversight and compliance requirements, and iv) changes to MSSP and RPM
- Most public HCIT companies share prices declined in 2025, driven in part by funding cuts to Medicaid, inflationary pressures and new regulations to be implemented. While we view this as a market correction to the new administration's policies, HCIT public companies continue to be top take-private candidates for investors (Premier, Accolade)
- While 2025 was not the most active year for M&A, Healthcare technology and tech-enabled services continued to be a hot area for private equity investors and larger strategics
- While overall VC raising was down in 2025, AI and Healthcare AI saw strong activity for startups with AI-native capabilities seeking to disrupt manual workflows
- 2026 predictions: 1) more active M&A market driven by companies' need for topline growth and to fend off competitive threats from AI-enabled solutions, 2) increased number of mergers of companies struggling with profitability to yield synergies and 3) continued prominence of private equity in healthcare technology given experience navigating and effectuating healthcare policy, as well as scaling companies

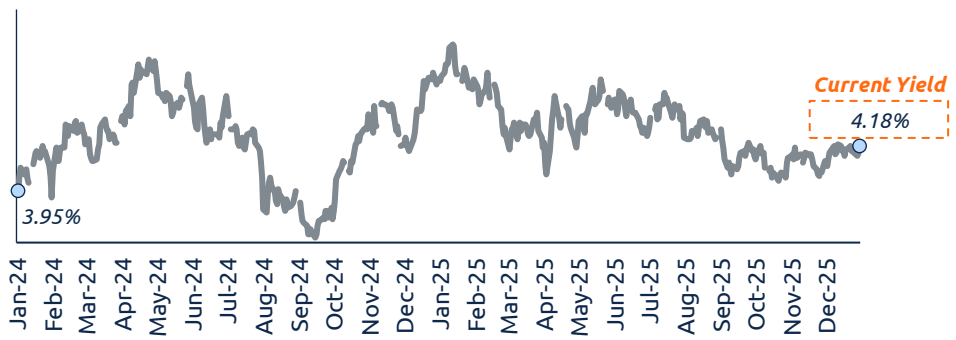
Key Macroeconomic Events & Indicators

Federal Funds Interest Rate



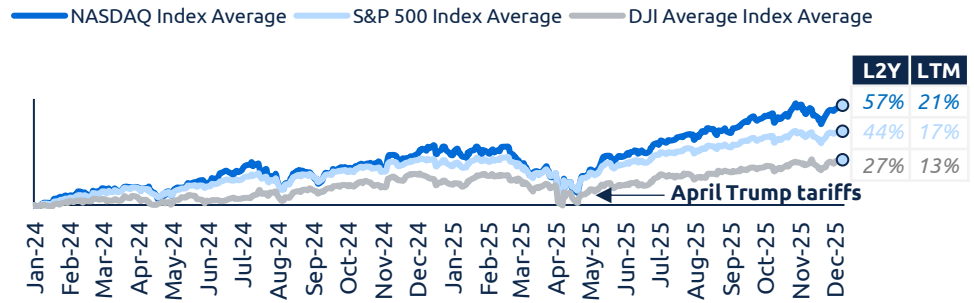
Two rate cuts expected to 3.0% - 3.25% in 2026

10-Year Treasury Yield Curve



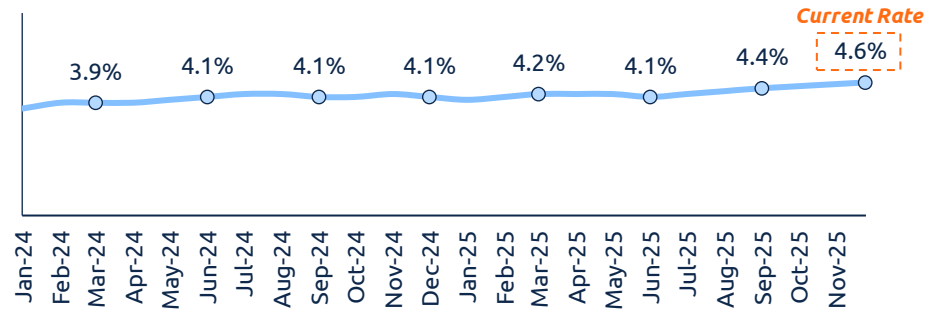
Yield curve un-inverted in 2025, and is expected to further normalize in 2026, signaling a constructive market transition

Equity Market Index Performance



2026 upside on strong earnings and easier monetary policy; Analysts expected 2026 return of 3% to 15%+

Unemployment Rate



Unemployment rate is anticipated to drop to 4.2% in 2026

Additional Macroeconomic Events

- The Trump administration's executive order for "reciprocal tariffs" caused equity market disruption and price inflation
- Real GDP accelerated to 4.3% (annualized) in Q3 2025, with additional easing by the Fed via a 25 bp cut in Dec-25
- The "One Big Beautiful Bill Act" was signed in Jul-25, including major tax changes and a $5T debt-ceiling increase
- Executive order in Sep-25 required companies to pay $100K per H1-B visa worker, up from $5K, for new visas

Note: As of December 31st, 2025.
Source: Whitehouse.gov, Wall Street Journal, Reuters, Federal Reserve, FRED, American Economic Association, Bureau of Economic Analysis.

Key Events Impacting Healthcare Technology Players

Trump Administration and OBBB

- The Trump administration took office on Jan 20, 2025, marking President Trump's second term in the White House
- RFK Jr. was confirmed by the Senate on Feb 13, 2025 as the Department of Health and Human Services (HHS) Secretary
- Dr. Mehmet Oz was confirmed by the Senate on Apr 3, 2025 to lead the Centers for Medicare & Medicaid Services (CMS)
- The One Big Beautiful Bill (OBBB) was passed on July 4, 2025, which included i) extensions and expansions of major tax cuts, ii) significant spending cuts to Medicaid and federal safety net programs, and iii) increased spending allocated towards homeland security

HHS / CMS Healthcare Policy Took Shape

- Changes to Medicare, Medicare Advantage and Part D included i) payment rate increase for physicians, ii) new programs like LEAD, BALANCE and ACCESS, iii) greater oversight and compliance requirements, and iv) changes to MSSP and RPM
- Changes to Medicaid and ACA included i) eliminating a Medicaid tax loophole for states and hospitals, ii) tighter eligibility requirements, and iii) shortening the ACA enrollment period
- Final rules on Prior Authorization, requiring payers to maintain additional APIs, and Home Health, reducing rates

Artificial Intelligence

- AI rapidly evolved from pilots to widespread adoption, driving a surge in VC investment, corporate AI initiatives and partnerships with Big Tech players
- Ai disruption seen across administrative workflows, patient engagement, revenue cycle, diagnostics and care decision support

Healthcare & HealthTech Continued M&A Strength

- While overall VC raising was down in 2025, AI and Healthcare AI saw strong activity for startups with AI-native capabilities seeking to disrupt manual workflows
- Healthcare M&A activity led by private equity investors and PE-backed companies, with HealthTech being the most active segment

Big Tech Prevalence in Healthcare

- EPIC and Microsoft partnership began in 2023 for generative AI, currently using MSFT's Dragon Ambient AI for transcription and Dragon Copilot for clinical AI Assistant
- R1 RCM partnership with Palantir, coupled with investment from Khosla Ventures, launched R37 Lab, its AI lab
- OpenAI saw 8x YoY growth in Healthcare in 2025

Provider Labor Shortage

- Persistent clinical labor shortages, particularly in underserved and rural communities, drive the need for tele-specialties, telehealth, and healthcare technology solutions to reduce administrative burden and clinician burnout
- Care models are evolving to combat labor scarcity, such as through virtual staffing and AI agents

2025 was a year of change – change in leadership, healthcare policy and adoption/investment in AI. Companies have digested this information and updated their strategy and priorities, which for many will include M&A.

Source: WhiteHouse.gov, Congress.gov, CMS.gov, HHS.gov, public information and company's websites.

One Big Beautiful Bill – Healthcare Provisions

Medicaid

- Congressional Budget Office estimates ~$1 trillion in reduced federal spending over 10 years
- **Work Requirements:** Non-disabled adults aged 19–64 must complete at least 80 hours per month of work, education, or volunteer activity to maintain Medicaid eligibility, expected to increase admin complexity and the risk of coverage loss
- **Eligibility Redeterminations:** States must verify Medicaid eligibility twice annually, likely increasing churn and administrative burden
- **Retroactive Coverage Reduction:** Retroactive Medicaid eligibility is reduced from three months to one month, limiting reimbursement for prior medical expenses
- **Expanded Cost-Sharing:** States may impose co-pays up to $35 per service and require premiums for enrollees with incomes above 100% of the federal poverty level
- **Provider Tax Restrictions:** Gradual phase-down of provider taxes as a Medicaid financing tool, reducing states' ability to sustain program funding
- Prohibits healthcare providers from offering abortion services while receiving Medicaid payments
- Requires states to conduct quarterly checks using the Death Master File to ensure enrollees are not deceased

Medicare

- Restricts eligibility for several immigrant categories while adjusting payments by ending Medicare access for specified groups, increasing the 2026 physician fee schedule by 2.5%, and modifying orphan-drug exclusions under the Medicare Drug Price Negotiation Program

Affordable Care Act

- Tightens marketplace subsidy eligibility and expands HSA flexibility by limiting premium tax credits for certain immigrants, allowing enhanced PTCs to expire after 2025, and broadening HSA compatibility for telehealth-first HDHPs, bronze and catastrophic plans, and direct primary care arrangements

Rural Hospitals

- Creates a $50B five-year Rural Health Transformation Program that funds state plans to improve rural access, strengthen the workforce, modernize care through technology, and support long-term hospital solvency based on rural population and facility mix

Food Nutrition

- Reforms SNAP through stricter work rules, revised TFP standards, and increased state responsibility by implementing a cost-neutral Thrifty Food Plan, tightening eligibility for many non-citizens, expanding work requirements, adding state cost-sharing tied to error rates, and reducing federal administrative support

The OBBB was enacted on July 4, 2025 and included reduced funding and increased eligibility requirements for Medicaid. Facing greater compliance requirements, providers will lean on RCM/GRC vendors to navigate this change

Source: CMS.gov, HHS.gov, Federal Register.gov, WhiteHouse.gov, Congress.gov and Becker's Hospital Review.

New HHS / CMS Initiatives & Guidelines in 2025

The new initiatives and guidelines issued by CMS in 2025 created tremendous opportunities for healthcare technology enablement solutions, particularly in chronic care management and prior authorization.

Medicare, Medicare Advantage and Part D

- **Payment rate increase** of 5.06% to MA Plans in 2026, or approximately $25B, up from 2.23% proposed by the Biden administration
- **LEAD**, or Long-Term Enhanced Accountable Care Organization Design model, to take effect at the end of 2026, at the conclusion and retirement of **ACO REACH**, or ACO Realizing Equity, Access, and Community Health Model
- **BALANCE**, or The Better Approaches to Lifestyle and Nutrition for Comprehensive Health model, is a new voluntary test of a model that is designed to enable Medicare Part D plans and state Medicaid agencies to cover GLP-1 medications used for weight management and metabolic health improvement, while helping control costs for patients and taxpayers
- **ACCESS**, or Advancing Chronic Care with Effective, Scalable Solutions model, a 10-year, outcome-based payment model to test whether linking recurring payments to outcomes expands the use of digital tools for chronic disease management
- Expanded **Remote Patient Monitoring** coverage with codes 99445 and 99470, offering greater flexibility for shorter monitoring periods
- Multiple to changes to **MSSP** under the physician fee schedule rule, including i) limiting how long ACOs can remain in one-sided risk under the BASIC track to five performance years during an ACO's first agreement period beginning in 2027; ii) added flexibility in 2027 in how ACOs meet the requirement of having at least 5,000 assigned Medicare fee-for-service (FFS) beneficiaries by Benchmark year 3; and iii) CMS is removing the health equity adjustment from ACO quality scores starting in the performance year 2026
- Plans to **audit every MA plan annually** to strengthen oversight and address potential overpayments. The agency currently audits about 60 plans each year but intends to expand that to all 500-plus MA plans moving forward.

Medicaid

- Eliminating a **Medicaid tax loophole** by i) banning states from taxing Medicaid business at higher rates than non-Medicaid business, ii) stop the use of ambiguous language to obscure Medicaid-specific taxes, iii) continue testing while introducing additional safeguards to deter further manipulation; and iii) implement a staged transition timeline based on the duration of existing waivers
- Improve **ACA marketplace integrity** by shortening the open enrollment period to December 31st vs January 15th and tightening eligibility verifications by requiring beneficiaries to verify their incomes and citizenship

Source: CMS.gov, HHS.gov, Federal Register.gov, WhiteHouse.gov, Congress.gov and Becker's Hospital Review.

New HHS / CMS Initiatives & Guidelines in 2025 *(Cont'd)*

Interoperability and Prior Authorization

- Requires MA, Medicaid and CHIP health plans to speed up approvals, provide specific denial reasons, use FHIR-based APIs for electronic processes, and publicly report metrics
- HLT FHIR Patient Access API to give patients greater access to their health data
- Provider Access API to share patient data with in-network providers with whom the patient has a treatment plan
- Payer-to-Payer API to make available claims and encounter data, data classes and data elements in the USCDI and information about prior authorizations
- Prior Authorization API that is populated with its list of covered items and services, can identify documentation requirements for prior authorization approval, and supports a prior authorization request and response
- Other changes: i) Impacted payers to send prior authorization decisions within 72 hours for expedited requests and 7 days for standard requests; ii) Beginning in 2026, impacted payers must provide specific reason for denied prior authorization decisions; iii) Payers must publicly report prior authorization metrics annually

Telemedicine Extension

- The HHS and DEA, announced a fourth temporary extension of telemedicine flexibilities that allow patients to receive prescriptions for controlled medications without a prior in-person visit. The extension runs from January 1, 2026, through December 31, 2026, preventing disruptions in care while permanent rules are finalized

Hospitals

- Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System final rule for 2026 including phasing out Medicare's inpatient-only list over three years by removing 285 procedures from the inpatient-only list and add 289 procedures to the ASC covered procedures list in 2026. CMS also continued certain two-midnight policy-related medical review exemptions for procedures removed from the inpatient-only list and increased outpatient payment rates by 2.6% for hospitals that meet quality-reporting requirements
- Updated hospital price transparency guidance was issued requiring hospitals to post the actual prices of items and services, not estimates.

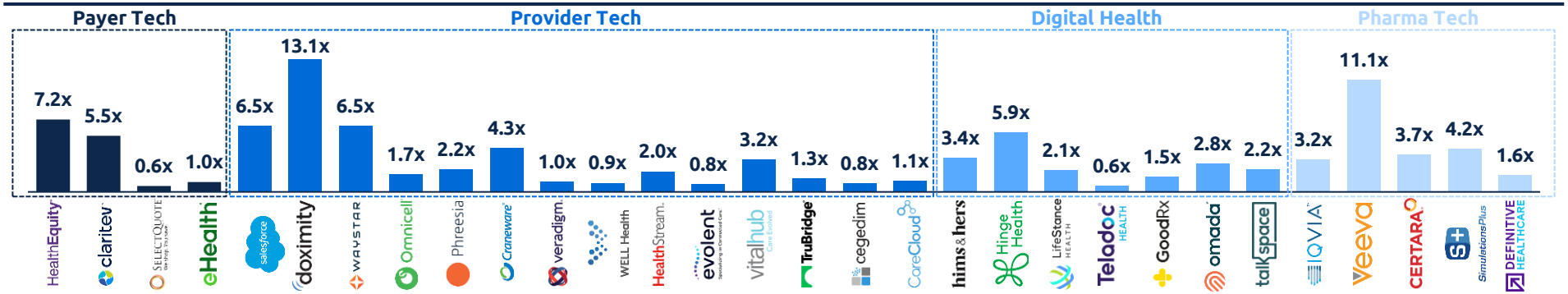
Home Health Final Rule

- CY2026 Home Health Final Rule includes a 1.3% spending decrease (vs 6.4% proposed reduction), as well as removing some data elements from the Quality Reporting Program (HH QRP), expanding the Home Health Value-Based Purchasing (HHVBP) model with new measures, and finalizing changes to face-to-face encounter policies and enrollment rules to combat fraud

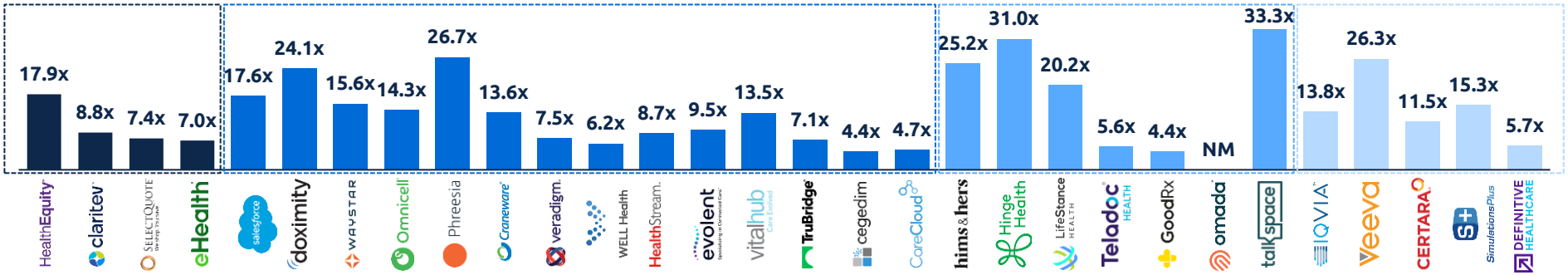
Source: CMS.gov, HHS.gov, Federal Register.gov, WhiteHouse.gov, Congress.gov and Becker's Hospital Review.

Public Valuations and Share Price Performance of HealthTech Leaders

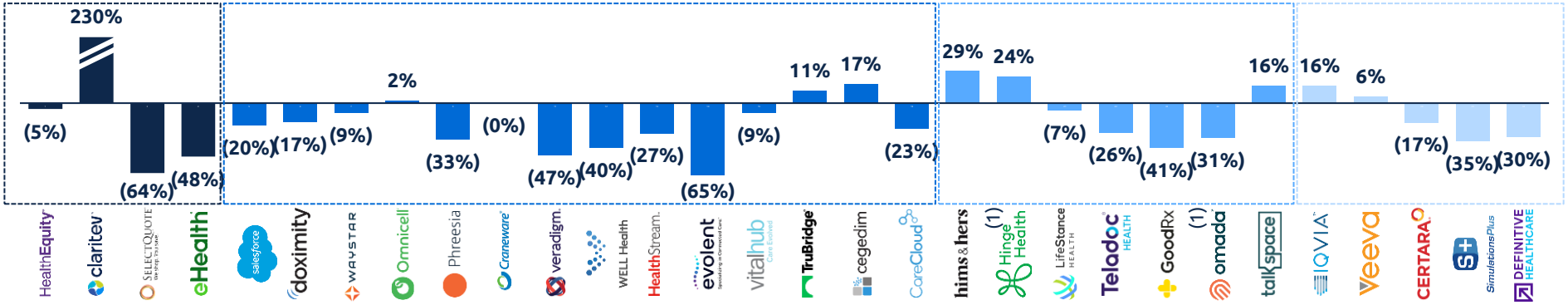
TEV / 2025E Revenue



TEV / 2025E EBITDA



2025 Share Price Performance



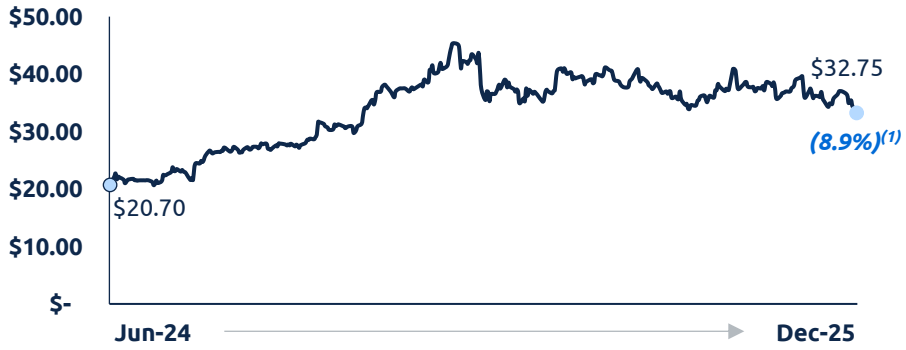
While we view 2025 share price declines as a market correction to the new administration's policies, HCIT public companies continue to be top take-private candidates for investors (Premier, Accolade)

Source: CapIQ as of 12/31/2025; companies sorted by market capitalization.
Note: (1) Performance measured from 2025 IPO date to 12/31/2025.

Recent HCIT IPOs – 2025 Performance Mixed

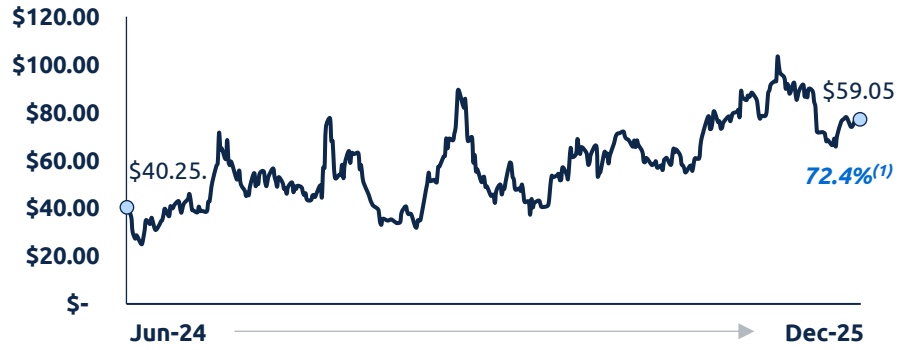
($ in millions, except per share count)

Waystar: AI-Powered Revenue Cycle Management (RCM)



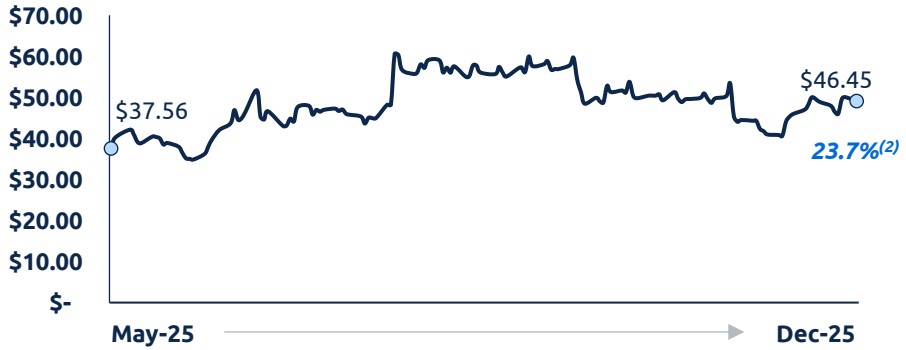
TEV	TEV/ Revenue	TEV/ EBITDA	P/E
$7,100	6.5x	15.6x	22.4x

Tempus: AI Clinical Decision Support



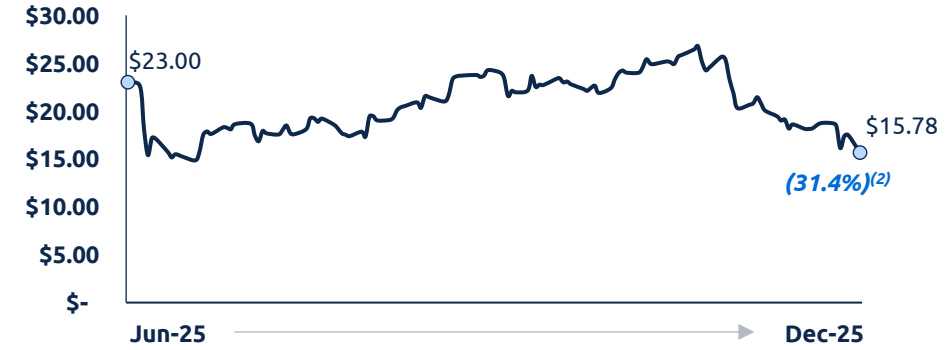
TEV	TEV/ Revenue	TEV/ EBITDA	P/E
$11,082	8.8x	NM	NM

Hinge Health: AI-Powered Rehab for Joint & Muscle Pain



TEV	TEV/ Revenue	TEV/ EBITDA	P/E
$3,370	5.9x	31.0x	32.9x

Omada: Virtual Care Solution for Chronic Diseases

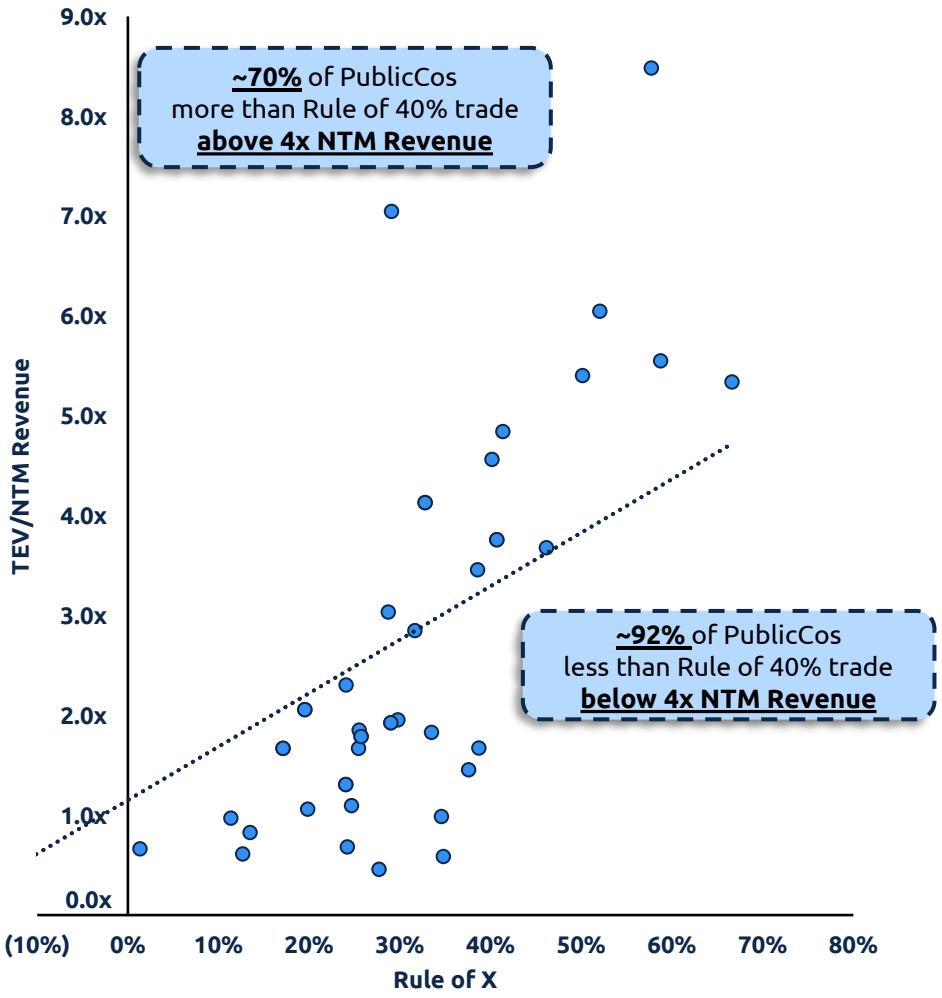


TEV	TEV/ Revenue	TEV/ EBITDA	P/E
$715	2.8x	NM	NM

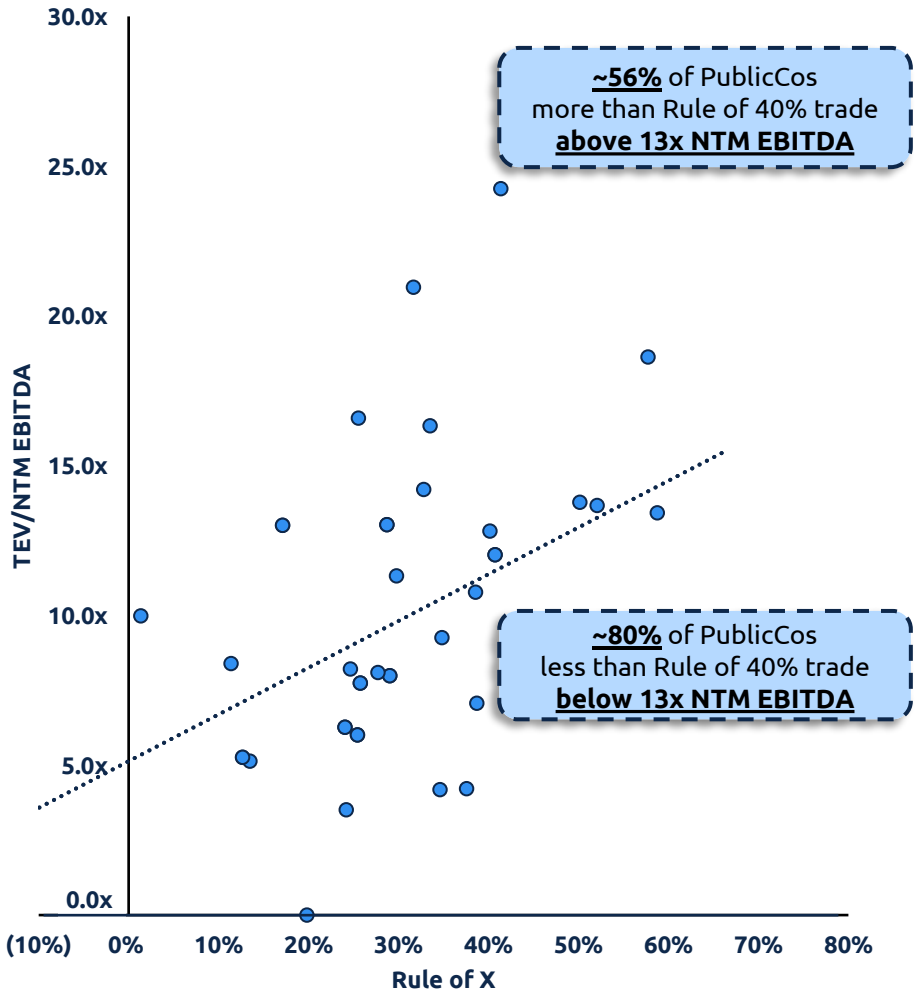
Note: (1) CapIQ percent change in stock price between 1/2/2025 and 12/31/2025.
(2) CapIQ percent change in stock price from IPO to 12/31/2025.

Public Company Value Implications of Rule of X in Current Market

Rule of X versus TEV / NTM Revenue



Rule of X versus TEV / NTM EBITDA



Source: Market data from 12/31/2025.
Note: (1) Excludes TEV/TBITDA multiples less than 0.0x and greater than 50.0x.
Provider Technology: CCLD, EPA:ALCGM, CRM, CRW, EVH, HCAT, HSTM, VHI, OMCL, PHR, SPOK, TBRG, WAY, WEAV, WELL.
Payer Technology: CTEV, EHTH, HQY, SLQT.
Pharma Technology: BDSX, CERT, DH, DSY, IQV, OPRX, SDGR, SLP, TEM, VEEV.
Digital Health: GDRX, HIMS, HNGE, LFMD, LFST, OMDA, TALK, TDOC..

Notable Healthcare Technology M&A Transactions in 2025

($ in millions)

Date	Target	Solution	Acquirers	TEV
Nov-25	PREMIER	GRC	PATIENT SQUARE CAPITAL	$2,620
Nov-25	intelerad	Imaging Software	GE HealthCare	2,300
Oct-25	Knack RCM	RCM	CARLYLE	500
Oct-25	PG Forsta	GRC	qualtrics XM	6,750
Oct-25	iodine NOW PART OF WAYSTAR	RCM	WAYSTAR	1,250
Sep-25	HealthProof	Payer Interop	HEALTHEDGE BainCapital	1,000
Aug-25	THIRTY MADISON	Virtual Care	Remedy Meds (+)	500
Aug-25	ARCADIA	Interop / DaaS	NORDIC CAPITAL	ND
Aug-25	agshealth	RCM	Blackstone	1,200
Jul-25	ELEVATE PATIENT FINANCIAL SOLUTIONS	RCM	Audax Group PARTHENON CAPITAL	1,100

Date	Target	Solution	Acquirers	TEV
Jun-25	QCentrix an mro company	Interop	mro	ND
Jun-25	HEALTHEDGE	Payer Tech	Ardan ARES BainCapital	$2,600
May-25	Office Ally	RCM	NMC NEW MOUNTAIN CAPITAL	1,800
Apr-25	CentralReach	Specialty EHR	Roper TECHNOLOGIES	1,850
Apr-25	SmarterDx	RCM	NMC NEW MOUNTAIN CAPITAL	ND
Apr-25		RCM	khosla ventures	ND
Apr-25	Dotmatics	PharmaTech	SIEMENS	5,100
Mar-25	edifecs A Cotiviti Business	Interop / DaaS	COTIVITI	3,050
Mar-25	ModMed	Specialty EHR	CLEARLAKE	5,300
Jan-25	Accolade	Virtual	transcarent	621

Source: Websites and press releases of companies referenced, Pitchbook, CapIQ, and news sources.
Note: TEVs based on publicly available information, including news articles with rumored or approximated figures.

Matt Holt to form $30B HealthTech Leader Thoreau

New Mountain Capital

- Former Managing Director and President of Private Equity at NMC has left the firm as of Dec-25 with plans to combine five NMC HealthTech portfolio companies in a $30+ billion deal
- New operating company set to be called Thoreau, with NMC retaining a major equity stake
- Potential sale would deliver $12B in cash and $2B in equity in the buyer, subject to changes in closing conditions

PortCo	Smarter Technologies Revenue Cycle Mgt	Office Ally Clearinghouse	Machinify Subrogation	datavant Interoperability	swoop Omnichannel Marketing
Prior Platform / Acquisitions	accesshealthcare SmarterDx thoughtful.ai pieces	N/A	The Rawlings Group Apixio – PI VARIS PERFORMANT	CiOX Health datavant Apixio	myHealthteam A swoop Company
Solutions	• SmarterAccess: End-to-end RCM services • SmarterDx: clinical AI for PreBill & Denials • ThoughtfulAI: Agentic AI	• EDI Clearinghouse • Insurance Discovery • Payer Service Portal • Practice Software • EHR	• Coordinate: policy map • Subrogate: cost containment / TPL • Audit: fix coding errors • Pay: edits & reprices claims • Pharmacy: COB, audit	• Real world data connectivity • Health data exchange (ROI, extraction) • Data transformation (coding) • RCM (denial & audit)	• ML / AI-powered omnichannel marketing technology
Leadership	 Michael Gao CEO SmarterDx  Shaji Ravi CEO Access HC	 Chris Hart CEO	 David Pierre CEO NewCo  Prasanna Ganesan Machinify	 Kyle Armbrester CEO  Sachin Patel Apixio	 Rob Elwell Founder and CEO

Source: Company websites and news.

Notable Healthcare Technology Equity Fundraises

($ in millions)

Date	Company	Subvertical	Investors	Round	Capital Raised	Valuation
Dec-25	tebra	EHR	Hildred Capital Partners, et al.	Later Stage VC	$250	N/A
Dec-25	Qventus	Workflow Optimization	KKR, et al.	Series D	$105	$400
Dec-25	Angle	Care Navigation	Portage, et al.	Series B	$134	N/A
Sep-25	JUDI	PBM	General Catalyst, Wellington Management, et al.	Series F	$400	$3,250
Sep-25	Harbor Health	Health Plan	8VC, Alta Partners, General Catalyst, et al.	Series A	$130	$380
Sep-25	strive HEALTH	VBC Kidney Care	New Enterprise Associates, et al.	Series D	$550	N/A
Jul-25	Ambience	Ambient AI Documentation	Andreessen Horowitz, Oak HC/FT, et al.	Series C	$243	$1,250
Jul-25	aidoc	Clinical AI Provider Solutions	General Catalyst, Square Peg Capital, et al.	Later Stage VC	$150	$686
Jul-25	Tala Health	Clinical AI Provider Solutions	Dr. P. Roy Vagelos, Sofreh Capital	Seed	$100	$1,200
Jun-25	ABRIDGE	Ambient AI Documentation	Andreessen Horowitz, et al.	Series E	$316	$5,300
Jun-25	commure	Ambient AI, Agentic AI, RCM	General Catalyst, Maverick Ventures	Series E	$200	N/A
Jun-25	Athelas	Documentation, Billing, Workflow Optimization	General Catalyst, The Pay It Forward Company	Later Stage VC	$200	N/A
Jun-25	Tennr	Workflow Optimization	IVP, et al.	Series C	$101	$620
May-25	Function	Clinics/Outpatient Services	Broadlight Capital, Rx3 Growth Partners, Tejo Ventures, et al.	Series B	$300	$2,500
Apr-25	ABRIDGE	Clinics/Outpatient Services	General Catalyst, 62 Ventures	Series D	$481	$2,680
Feb-25	transcarent	Ambient AI Documentation	IVP, Atria Ventures, Elad Gil	Series D	$250	$2,500
Jan-25	innovaccer	Data As A Service	Kaiser Permanente, et al.	Series F	$275	$3,450
Jan-25	Hippocratic AI — Do No Harm —	Healthcare LLMs / Agentic AI	Kleiner Perkins, Andreessen Horowitz, et al.	Series B	$141	$1,641
Jan-25	TRUVETA	EHR	Illumina, Regeneron Pharmaceuticals	Series C	$320	$1,400

Source: Websites and press releases of companies referenced, Pitchbook, CapIQ, and news sources.
Note: TEVs based on publicly available information, including news articles with rumored or approximated figures.

Edgemont Capital Partners – Taylor Gillan

Taylor Gillan

Managing Director

- Leads HCIT Coverage
- Deep expertise in sell-side M&A, capital raising and recapitalization transactions
- 17+ years of investment banking experience

Deutsche Bank citi

- 100+ transactions successfully executed
- B.S. in Finance from Rutgers Un. – Magna Cum Laude

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Enterprise Management Systems			Revenue Cycle Management			Governance, Risk, Compliance			Enterprise Resource Planning & Performance Mgt			Clinical Care Enablement			Virtual Care		
Electronic Health Records	Practice Management System	Scheduling / Communication	End-to-End	Point Solutions	Specialty-Focused	Compliance & Credentialling	Quality & Safety	Provider Network & Data Mgt	Customer Relationship Mgt	Human Capital Mgt	Supply Chain Mgt	Remote Patient Monitoring	Chronic Care Mgt	Medication Adherence	Virtual Care / Telehealth	Tele-Specialties / Alt-Site	Interoperability

Project Pulse Remote Patient Monitoring In Progress	**Project Anemoi** Remote Patient Monitoring In Progress	**Project Manning** Specialty RCM In Progress	MACHINIFY acquired by New Mountain Capital Jan 2025	CGM CompuGroup Medical acquired by CVC Dec 2024	TPG acquired surescripts Sept 2024
TOWERBROOK CD&R acquired R1 August 2024	ARCADIA acquired CareJourney June 2024	zelis acquired payspan Nov 2022	signifyhealth acquired by CVSHealth Nov 2022	FRANCISCO PARTNERS acquired merative June 2022	BainCapital H&F acquired athenahealth June 2022
AUDACIOUS INQUIRY acquired by PointClickCare Jan 2022	FinThrive acquired TransUnion Healthcare Dec 2021	iodine acquired by Advent Dec 2021	modivcare acquired VRI Aug 2021	CIOX HEALTH acquired by DATAVANT June 2021	PATIENTPING acquired by Bamboo Health April 2021

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2. Provider Technology Double Click

- Provider Technology & Tech-Enabled Landscape Overview
- Enterprise Management Systems Double Click
- Revenue Cycle Management Double Click
- Governance, Risk & Compliance Double Click
- Enterprise Resource Planning & Performance Management DC
- Clinical Care Enablement Double Click
- Interoperability Double Click
- Virtual Care Double Click

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