



HEALTHCARE STAFFING MARKET OVERVIEW

November 2015



Harris Williams & Co.
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HEALTHCARE STAFFING INDUSTRY OVERVIEW

Healthcare staffing is an \$11.1 billion industry in the United States, with expected growth of 7% per annum through 2016P.

HEALTHCARE STAFFING MARKET BY TYPE⁽¹⁾

Allied Health



- Staffing of allied professionals (e.g. radiology technicians, physical therapists) on multi-week assignments



Per Diem Nursing



- Staffing of registered nurses to fill daily shifts
- Nurse's local market
- Demand closely tied to hospital census



Travel Nursing



- Staffing of registered nurses on multi-week assignments
- Away from nurse's home



Locum Tenens



- Staffing of physicians on multi-week assignments
- Hospitalist, emergency medicine, and primary care are fastest growing specialties



HEALTHCARE STAFFING END MARKET OVERVIEW

Each service within the healthcare staffing industry fills a unique customer need and is tailored to the demand characteristics.

- Between the four main categories, there are significant differences in lead times, costs, and drivers of supply.

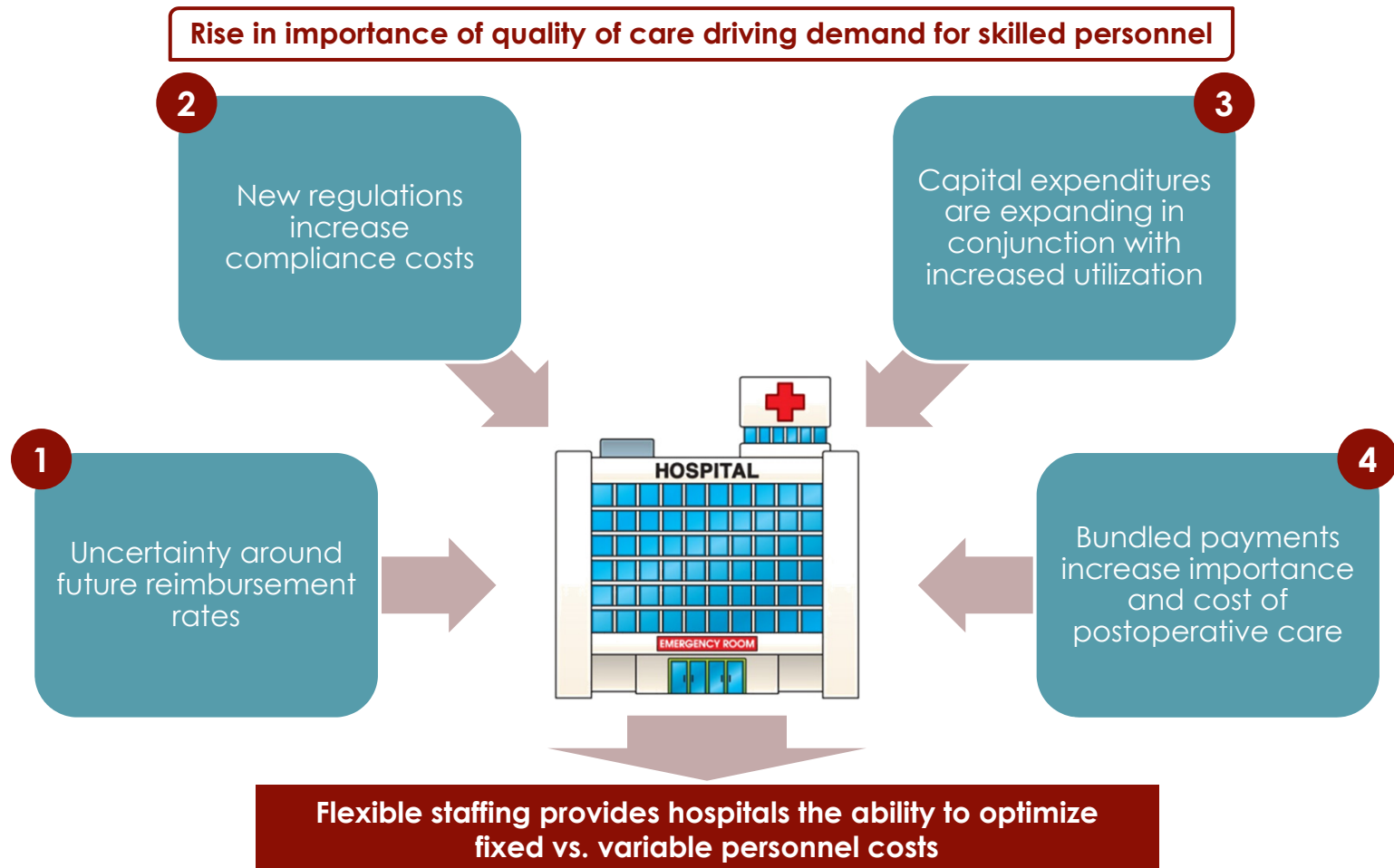
OVERVIEW OF HEALTHCARE STAFFING SERVICES

	Allied Health	Per Diem	Traditional Travel	Locum Tenens
Order Lead Time	NA	1 day	~5 weeks	NA
Length of Assignment	Typically 13 weeks (Offer Per Diem to Permanent)	N/A	Fixed: 13 weeks	5 weeks to 6 months
Hours per Week	~40 hours / week	12 hours / day	36 hours / week	60 hours / week
Average Bill Rate / Fees	~\$62 / hour ¹	~\$45 / hour	~\$59 / hour	~\$171 / hour
Average Pay Rate	~\$32 / hour ¹	~\$30 / hour	~\$30 / hour	~\$120 / hour
Weekly Pay to Profession	~\$1,280	~\$720 ²	~\$1,080	~\$7,250
Client Need	Fill temporary hiring need	Backfill for Sick Days or Vacation	Seasonal or Routine	Fill temporary hiring need

COST AND QUALITY PRESSURES DRIVE DEMAND FOR FLEXIBLE STAFFING

Mounting regulatory and economic pressures are forcing hospitals to increase the focus on cost efficiency and reduced readmissions rates.

- Healthcare facilities operate with a base of fixed labor supplemented with a component of variable labor in order to align staffing costs with patient census variability.

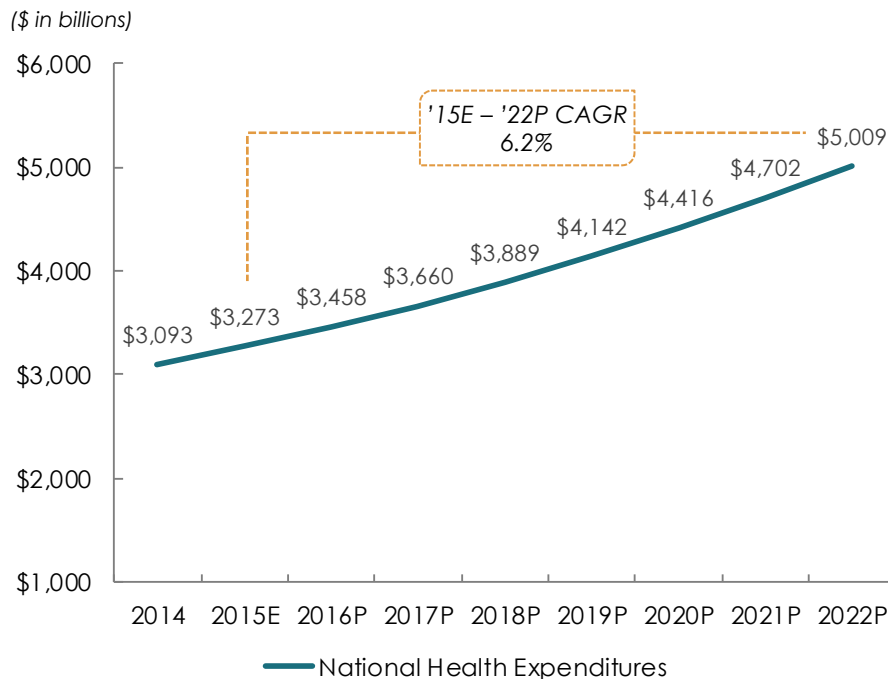


STAFFING INDUSTRY GROWTH CONTINUES TO ACCELERATE

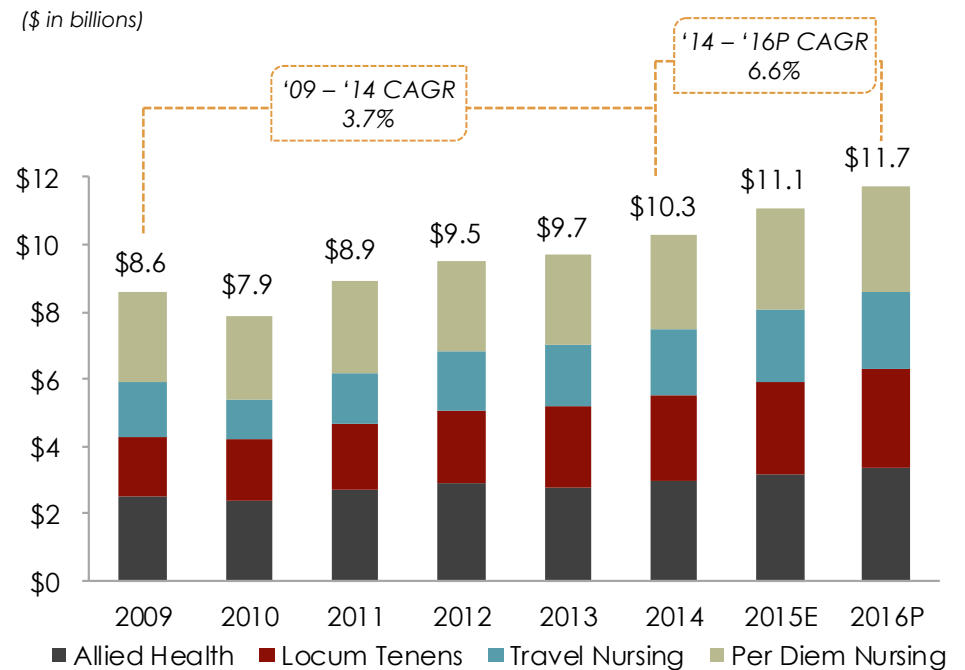
Supported by favorable trends, the healthcare staffing industry is expected to generate robust growth.

- Healthcare staffing services demand is expected to grow at a 6.6% CAGR through 2016P, primarily driven by the following growth drivers:
 - Increase insured population due to ACA, and resulting increase in healthcare utilization
 - Aging “Boomer” population
 - Ongoing nurse and professional shortages
- Hospitals continue to seek efficient staffing levels as personnel currently represent 54% of total hospital expenses ⁽¹⁾.

FAVORABLE HEALTHCARE SPENDING TRENDS



COUPLED WITH ACCELERATED HEALTHCARE STAFFING EXPANSION

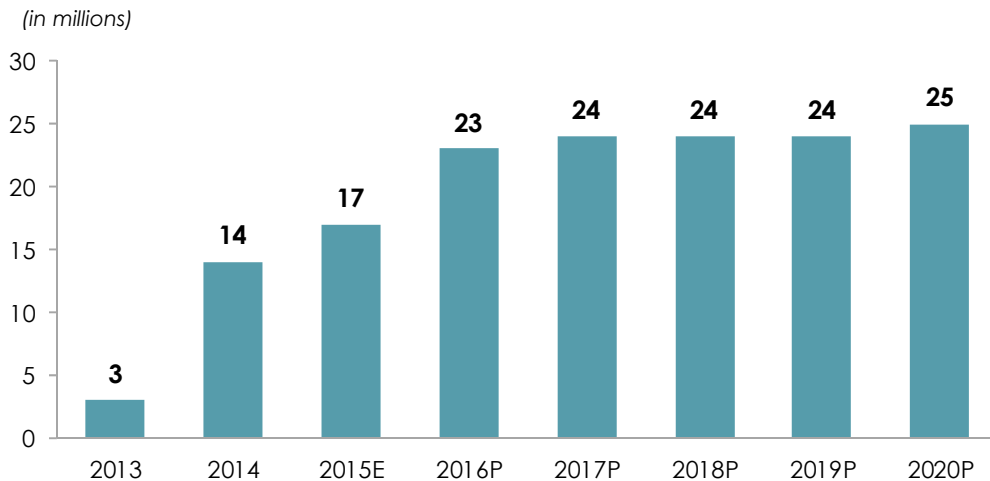


KEY INDUSTRY GROWTH DRIVERS: INCREASED HEALTHCARE UTILIZATION

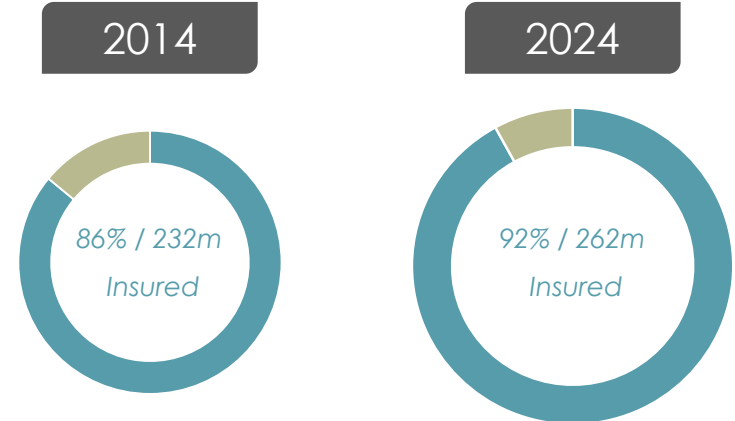
The Affordable Care Act (“ACA”) has increased access to healthcare for the uninsured and underinsured, resulting in increased healthcare utilization.

- ACA is expected to provide ~25 million previously uninsured Americans with health insurance by 2020⁽¹⁾.
- 16.4 million more adults have gained insurance coverage since 2010 as a result of the ACA provisions (as of May 5, 2015).
- Hospital reimbursement payments are being realigned with quality metrics to improve overall quality of care, and include financial penalties for high readmission rates.
 - Hospitals are expected to utilize increased variable healthcare staffing solutions to avoid costly penalties and maintain quality metrics
 - Nurse unions consistently push for lower nurse-to-patient ratios, which research suggests, are correlated with lower readmission rates

ADDITIONAL INSURED AMERICANS UNDER ACA



25 MILLION ADDITIONAL INSURED BY 2020



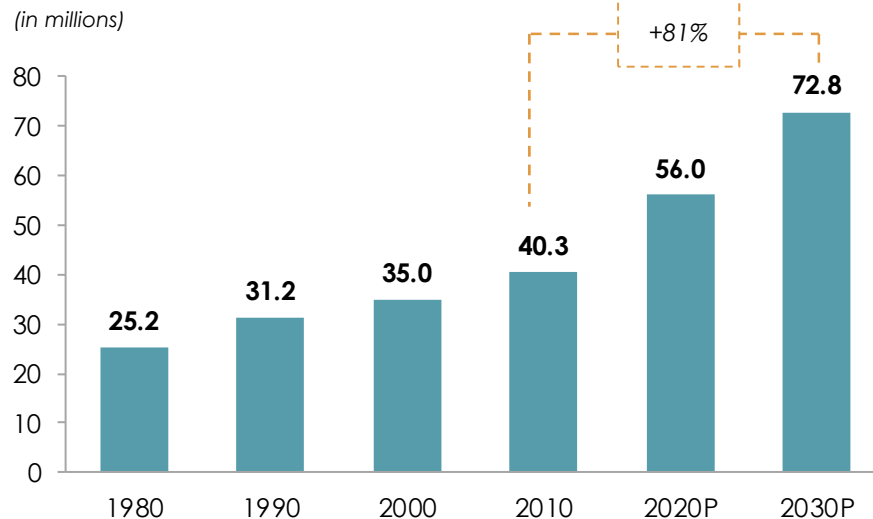
30 MILLION ADDITIONAL INSURED BY 2024 ⁽²⁾

KEY INDUSTRY GROWTH DRIVERS: AGING POPULATION

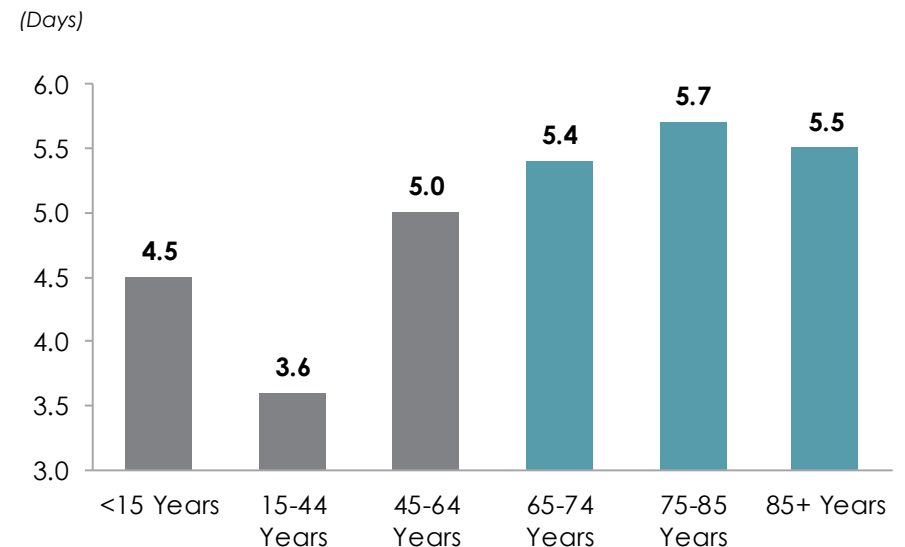
The aging U.S. population is expected to drive increased demand for healthcare services, specifically in acute care environments.

- Americans over 65 are expected to grow from 40 million in 2010 to 73 million in 2030, representing a CAGR of ~3.0%
- Increased elderly population will drive healthcare utilization, as this population is more susceptible to diseases and physical ailments that require acute care.
 - According to IMS Health, nearly 90% of seniors have one chronic condition and 70% have multiple conditions
 - Elderly Americans are three times more likely to have a hospital stay in a given year, and once admitted, the average length of hospital stay is longer than for other age groups

U.S. POPULATION AGED 65 OR OLDER



AVERAGE LENGTH OF HOSPITAL STAY



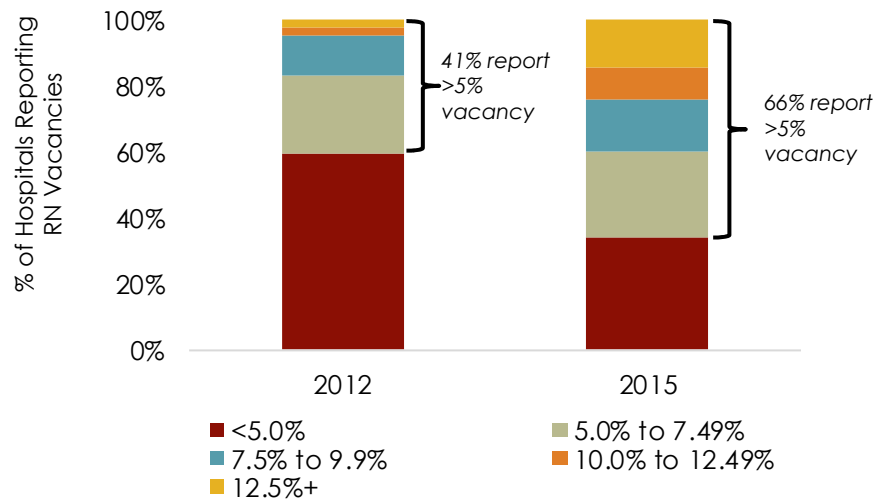
KEY INDUSTRY GROWTH DRIVERS: EXPECTED HEALTHCARE STAFFING SHORTAGE

Sustained healthcare professional shortages will continue to drive temporary staffing demand.

- 66% of hospitals are already feeling a material shortage in nurses, driving increased use of temporary staffing solutions.
 - Legislative changes, quality of care standards, and an aging population point to increased demand
 - Decreasing ratio of nurses to patients generates quality and continuity of care issues that correlate to adverse patient outcomes
- Evidence suggests shortages of nurse and physician enrollees, limiting the future supply of healthcare professionals at a time when the need for medical personnel continues to grow.
- Growing geographic imbalances in supply and demand will benefit staffing firms capable of mobilizing highly specialized practitioners in distinct geographic areas.

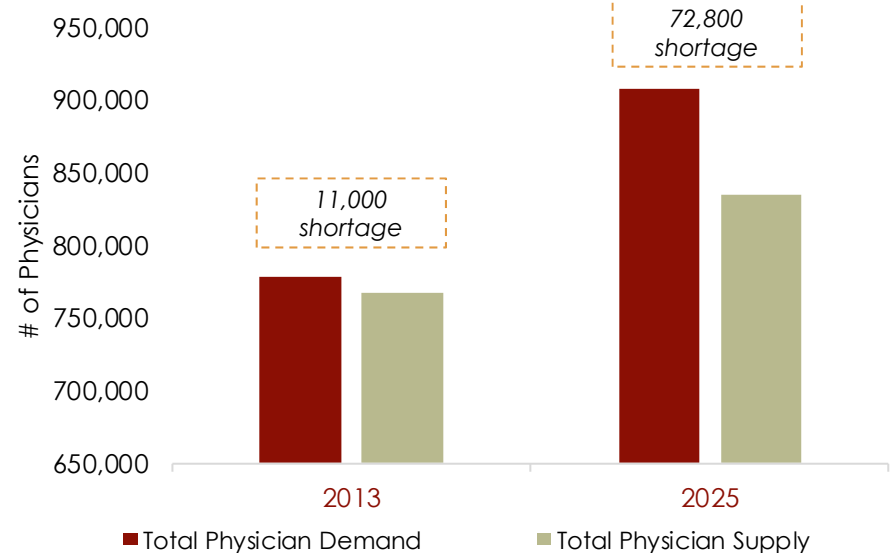
RAPIDLY RISING SHORTAGES FOR NURSES...

Substantial increase in % of hospitals reporting over 5% RN vacancy



...AND PHYSICIANS

The total physician shortage is expected to expand from 1% to 8% of total demand, driving an increased need for locum tenens



INDUSTRY PARTICIPANTS OVERVIEW

The healthcare staffing market remains substantially fragmented, with the top ten participants commanding approximately 40% of the market.

- Many of the top industry players are still privately owned and operated businesses.
- While private equity firms have begun to participate in the space in recent years, consolidation has been limited with only a couple large diversified staffing firms entering the sector.
- A majority of the top firms provide multiple staffing services, enabling them to act as a one-stop-shop for hospitals and medical facilities seeking to efficiently manage their personnel needs.

OVERVIEW OF HEALTHCARE STAFFING SERVICES MARKET PARTICIPANTS BASED ON 2014 RESULTS

															
Revenue (\$ mm)	\$991	\$912	\$702	\$530	\$328	\$256	\$218	\$212	\$180	\$148	\$137	\$137	\$133	\$128	\$125
Market Share	9%	9%	7%	5%	3%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Services															
Allied Health	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	
Per Diem Nursing	✓		✓		✓	✓	✓	✓				✓	✓	✓	✓
Locum Tenens	✓	✓	✓	✓		✓	✓	✓	✓	✓					
Travel Nursing	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
Diversified Staffing									✓	✓					
Ownership	Public		Public	Private	Private			Private		Public		Private		Public	Private

INDUSTRY LANDSCAPE AND M&A

The U.S. healthcare staffing M&A market has shown strong activity over the last two years.

- The U.S. healthcare staffing industry continues to experience consolidation with 16 transactions occurring in 2014.
 - Competitive space is still very fragmented with no firm maintaining greater than a 10% market share
 - Firms continue to employ M&A strategies to diversify service lines and to expand their geographical footprint
 - Cost efficient for firms to acquire targets rather than grow internally
- Industry has drawn attention from both private equity groups as well as large multinational staffing corporations.

SELECT TRANSACTIONS IN THE HEALTHCARE STAFFING INDUSTRY

Date	Target Company	Acquirer	Date	Target Company	Acquirer
Nov-15	B.E. Smith	AMN Healthcare Services	Dec-14	Onward Healthcare, Locum Leaders, Medefis	AMN Healthcare Services
Sep-15	Healthcare Staffing Solutions	Thomas H. Lee	Jul-14	MedAscend	Accountable Healthcare Staffing
Sep-15	Medical Solutions	Beecken Petty O'Keefe & Company	Jun-14	Medical Staffing Network Healthcare	Cross Country Healthcare
Jun-15	Advanced Medical Personnel Services	Clearview Capital	Dec-13	Allied Healthcare Staffing Division	Local Staff, LLC
Feb-15	VISTA Staffing Solutions	EmCare Inc.	May-13	Locum Leaders, LLC	OGH, LLC
Jan-15	Avantas	AMN Healthcare Services	Feb-13	OA Nurse Travel, LLC	Medical Solutions L.L.C.
Dec-14	Sagent Healthstaff	Accountable Healthcare Staffing	Nov-12	CHG Healthcare Services, Inc.	Leonard Green & Partners

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