



Managing Healthcare M&A Transaction Risks

Help secure investments and enhance value with representations & warranties insurance

The healthcare industry has seen an increase in both private equity and corporate deals the past few years as acquirers see opportunities for consolidation in the fragmented healthcare provider and services industries. Historically, the types of risks within healthcare transactions, such as potential regulatory and legal violations around Medicare and Medicaid billing and reimbursement practices, have made insuring these deals challenging, leaving buyers exposed and sellers subject to more onerous escrow obligations. However, the insurance markets have become more familiar and comfortable with the risks associated with healthcare transactions and are able to underwrite policies to protect both the buyer's and seller's interests. As a result, meaningful coverage is available to those that want to protect their healthcare transactions.



Market Evolution

Aon led the market, introducing representations & warranties insurance tailored for risks unique to the healthcare industry. Since 2015, Aon has successfully bound more than 150 representations & warranties policies across healthcare providers and services, including coverage for U.S. regulatory exposures related to the False Claim Act (overbilling), Anti-Kickback Statute, and Stark Law. We now work with our clients to find solutions for a wide range of risks and challenges.

The Underwriting Process

As the representations and warranties insurance market has evolved, so too has carriers' appetite for healthcare provider transactions. There are more carriers that will consider underwriting these transactions. A specific carrier's interest will depend on the type of healthcare provider, the amount of government payor revenue, the size and scope of the operation, and the target's healthcare regulatory compliance history and infrastructure. There are certain underwriters that are focused on healthcare transactions and will consider all types of targets.

The underwriting process has become more streamlined over time, as carriers are more comfortable and experienced with healthcare diligence and diligence vendors have become more aware of the scope of diligence required for representations and warranties insurance relating to healthcare transactions. Carriers expect fulsome diligence on healthcare regulatory matters, including a government payor claims sample review to confirm billing and coding compliance and thorough regulatory and legal compliance diligence.

Aon guides clients and their advisors through the process to obtain input from carriers on the thoroughness of the healthcare diligence being performed. Early involvement by Aon and the carriers greatly increases the probability of a favorable decision while limiting the possibility of a carrier requiring additional primary diligence after diligence work has been completed.



Aon has placed representations & warranties policies for a wide range of healthcare providers and services, including:

Acute Care Hospitals	Dialysis	Home Health	Medical Laboratories	Physician Practices (Single/ Multispecialty)	Specialty Pharmacies
Ambulatory Surgery Centers	Fertility/ Women's Health	Hospice	Pharmacy Benefit Managers	Physician/ Medical Staffing	Urgent Care
Behavioral Health	Health Plans and Managed Care	Medical Imaging	Physical Therapy	Skilled Nursing/ Long-term Care	

Basic Terms

Aon works with highly rated insurance carriers and is available to provide claims advocacy, should there be a breach. Coverage up to \$300 million (possibly higher) in policy limits is possible, depending on the specifics of the transaction. Retentions are typically 1% of the transaction value and possibly lower for larger transactions.

The Aon Advantage

Aon's Transaction Solutions team has been leading the creation and advancement of transaction liability insurance since the market's inception. Comprising former senior M&A and tax attorneys and other senior M&A leaders, we bring a depth of knowledge and passion for developing tailored solutions to your complex deal risks that are unparalleled in this industry. We know firsthand that the timing and sensitivity of a deal are paramount to its success and work closely with your deal team and insurance providers to advise and execute solutions that improve your deal outcomes.

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Contacts

If you are interested in obtaining coverage, contact your Aon broker.

For general information about representations & warranties insurance solutions for healthcare, contact:

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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