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Healthcare Staffing Industry Perspective

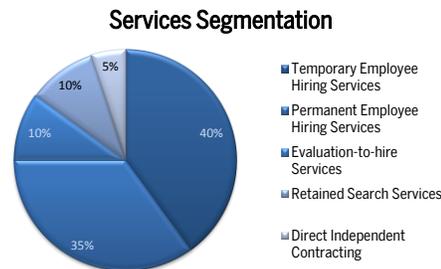
Recovering economy boosting M&A activity within Healthcare Staffing

The U.S. Healthcare Staffing industry is currently valued at roughly \$14 billion, and is expected to grow at a CAGR of 3.1% from 2013 to 2018.

Healthcare Staffing Industry Overview

Healthcare staffing agencies provide recruitment services to healthcare providers for positions such as physicians, nurses and allied healthcare professionals. Their services consist of permanent and temporary placement, evaluation-to-hire, retained search and direct independent contracting services.

Roughly 75% of the industry's revenue is derived from permanent and temporary employee placement services.



Source: IBISWorld Industry Report – Healthcare Staffing Recruitment Agencies (Feb 2013)

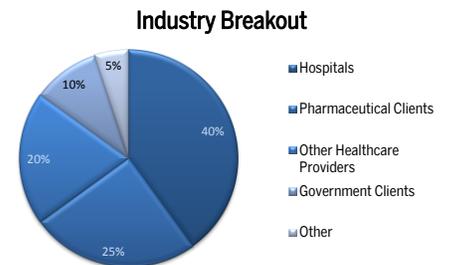
Permanent and temporary recruitment is comprised of physician, nurse, pharmacist and allied health staffing. Allied health encompasses most professions within healthcare staffing other than physician and nurse staffing, including: radiology, occupational therapy, human resources, medical coding, medical assistance, health care administration, physical therapy, etc.

Temporary rotations tend to last from a few weeks to half a year. Within temporary recruitment, locum tenens and travel nurses are among the most common recruitment services. Locum tenens are temporary

physicians who supplement permanent physicians during peak seasons or substitute physicians on temporary leave. Travel nurses provide similar services to their permanent counterparts.

Evaluation-to-hire services account for roughly 10% of industry revenue. This service allows clients to temporarily hire employees and evaluate their performance for permanent positions. Similarly, retained search services account for roughly 10% of industry revenue. This service is a specialized recruitment service used to fill openings for higher level positions.

The majority of healthcare staffing demand derives from hospitals. Hospitals are expected to represent about 40% of the industry's clients in 2013. As hospitals continuously try to reduce costs, they are increasingly looking towards healthcare staffing agencies for temporary placements.



Source: IBISWorld Industry Report – Healthcare Staffing Recruitment Agencies (Feb 2013)

Pharmaceutical clients are also facing similar pressure to slow expenditures, thus creating more demand to look towards temporary staffing services. These clients are expected to represent about 25% of the industry's business. Other healthcare providers include physician clinics, outpatient care centers and diagnostic laboratories account for 20% of the industry's clients.

Government agencies make up another large market for healthcare staffing agencies at roughly 10%. As healthcare expenditures are increasingly rising, government agencies are under large amounts of pressure to reduce these costs, prompting greater use of healthcare staffing agencies to more efficiently staff open positions.

Healthcare staffing agencies are mainly located in areas of the U.S. where there is a large concentration of hospitals, such as California and Texas. The regions accounting for the largest share of industry activity are the Mid-Atlantic, West and Great Lakes. The states that hold the largest number of establishments and employment are California, Texas, New York and Florida.

Growth Drivers

The demand for healthcare staff recruitment agencies is strongly correlated with the economic cycle, changes in unemployment and overall growth in healthcare industries. During economic downturns, the number of full-time employees in healthcare establishments decline. At the same time, people typically remain at their current jobs during economic uncertainty, reducing demand for industry services. However, poor economic conditions can also provide an opportunity for the industry through the placement of temporary workers. The number of healthcare facilities indicating they are actively seeking locum tenens physicians has held steady, suggesting stability has returned to the temporary physician staffing market.



An increasing number of elderly Americans stimulates demand for healthcare because people older than 65 generally need more medical care. Consequently, senior adults are projected to make up 15.5% of the population in 2018, compared to 13.8% in 2013 and 12.4% between 1990 and 2005.

Another key factor towards future growth for this industry is the nursing and physician shortage. According to a report from the American Association of Colleges of Nursing, U.S. Nursing schools turned away 54,991 qualified applicants from baccalaureate and graduate nursing programs in 2009 due to insufficient faculty, clinical sites, classroom space and budget constraints. American physicians are also getting older, and in the past 20 years the percentage of doctors older than 55 has risen from 27.0% to 34.0%, meaning that many of them will retire in the coming years. This shortage represents a platform for industry growth and is expected to contribute revenue growth of

5.8% in 2013. Amid this wave of demand, industry operators will be able to charge higher prices for their services, boosting profit to an estimated 10.5% of revenue in 2013, up from 8.0% in 2008.

Industry Leaders

The industry is highly fragmented and has a low level of market concentration. The two largest market participants in the industry are AMN Healthcare, and CHG Healthcare Services, accounting for 7.2% and 5.8% of market share, respectively. Maxim Healthcare Services currently holds about 3.2% of market share, followed by Cross Country Healthcare holding 3%. Companies of this size in the industry tend to offer a wide range of staffing services, covering all of the offered services and employment positions. Most of the smaller companies in this industry will focus their services towards one or two distinct segments such as allied healthcare or nurse staffing.

Recent Trends

Temporary placement of healthcare workers has become increasingly accepted by healthcare facility administrators, patients and permanent physicians. A recent study conducted by a major industry player, AMN Healthcare's subsidiary Staff Care, found that 48% of healthcare facilities used locum tenens in 2012 compared to 22% in 2009. In addition, 75% of healthcare facilities have used a locum tenens physician in the past twelve months. While locum tenens may have been an anomaly at many hospitals and practices in the past, survey results indicate they are a standard component of most medical staffs today. Over the previous five years, temporary placement has increased as a proportion of industry revenue due to the high unemployment rate. Other types of staffing services are also beginning to increase in popularity. Evaluation-to-hire services have increased over the past five years as companies remain very cautious during the hiring process for permanent positions. Retained search services have also seen growth in recent years because more companies are searching for comprehensive approaches to find qualified and experienced high level candidates.

The healthcare staffing industry has seen trends towards consolidation in recent years. Larger players in the industry such as IPC The Hospitalist and Team Health Holdings have been searching for acquisitions in areas where the industry does not have a strong presence. They have been acquiring small firms that cater to niche markets such as agencies that provide staffing services to individual local hospitals or single group practices. These acquisitions are beginning to expand the industry as a whole and fill in fragmented areas to increase the geographical reach of staffing firms. We have also seen acquisitions in this space by healthcare companies that did not previously have a staffing business. This helps illustrate the broader strategic interest in this market and the expected potential for future industry growth.

Competitive Matrix

Below is a matrix of selected healthcare staffing companies by market segment. Companies in bold are profiled on the next page.

Company	Permanent Physicians	Locum Tenens	Nurse Staffing	Travel Nurse	Pharmacy	Allied Health Professionals	Emergency
United States							
AMN Healthcare Services, Inc.							
CEP America							
CHG Healthcare Services							
CoreMedical Group							
Cross Country Healthcare, Inc.							
Envision Healthcare Corporation							
Hospital Physician Partners, Inc.							
Interim Healthcare, Inc.							
inVentiv Health, Inc.							
IPC The Hospitalist Company, Inc.							
Jackson Healthcare LLC							
Kelly Services, Inc.							
Kforce Inc.							
Maxim Healthcare Services, Inc.							
Medestar							
Mednax, Inc.							
On Assignment, Inc.							
Sheridan Healthcare, Inc.							
Sound InPatient Physicians, Inc.							
Sterling Medical Corporation							
Supplemental Health Care Inc.							
Team Health Holdings, Inc.							
Worldwide Travel Staffing Ltd							
Non - U.S.							
Acromas Holdings							
Adecco S.A.							
Attendo AB							
Care Twentyone Corp.							
Dedicare AB							
Healthcare Locums plc							
Independent Clinical Services Ltd (d/b/a Thornbury Nursing Services, Ltd)							
NGS Group AB							
Proffice AB (Proffice Care Segment)							
Qol Co. Ltd.							

Profiles of Selected Participants

Below are profiles of selected publicly-listed healthcare staffing companies.

Company	Brief Description	LTM*(USD \$M)	
		Sales	EBITDA
	Adecco S.A. provides human resource services to businesses and organizations worldwide. The company offers temporary staffing, permanent placement, outsourcing, career transition, and other services.	25,699.3	1,100.6
	Team Health Holdings, Inc. provides outsourced healthcare professional staffing and administrative services to hospitals and other healthcare providers in the United States. It recruits and contracts with healthcare professionals who then provide professional services in third-party healthcare facilities.	2,166.3	215.5
	On Assignment, Inc. provides short- and long-term placement of contract, contract-to-hire, and direct hire professionals in the United States, Europe, Canada, China, Australia, and New Zealand. The company operates in five segments: Apex, Oxford, Life Sciences, Healthcare, and Physician.	1,472.1	147.6
	AMN Healthcare Services, Inc. provides healthcare workforce solutions and staffing services to healthcare facilities in the United States. Segments include Nurse, Allied Healthcare, Locum Tenens and Physician staffing.	979.7	70.9
	IPC The Hospitalist Company, Inc. provides hospitalist services in the United States. It engages in providing, managing, and coordinating the care of hospitalized patients, as well as serves as the inpatient partner of primary care physicians and specialists.	546.8	59.5
	Cross Country Healthcare, Inc. provides nurse, allied and physician staffing services, and workforce solutions to the healthcare market in the United States. It operates through three segments: Nurse and Allied Staffing, Physician Staffing, and Other Human Capital Management Services.	443.2	3.5
	Care Twentyone Corporation provides nursing care services in Japan. The company's services include home help and home long-term care support services, as well as home visit nursing services. It also engages in the management of day care home nursing center; sale and rental of welfare equipment; and provision of taxi services, as well as housing renovation services.	150.9	10.7
	Dedicare AB provides healthcare staffing services in Sweden, Norway, and Finland. The company hires and recruits doctors, nurses, social workers, medical secretaries, nursing assistants, occupational therapists, medical secretaries, and other healthcare professionals primarily to private and public health care providers.	82.7	4.4
	NGS Group AB (publ) operates as a niche staffing company in the healthcare, education, and preschool areas primarily in Sweden and Norway. The company hires and recruits nurses, specialist nurses, doctors, medical secretaries, and assistants to the public and private sectors; and offers medical staffing services with a focus on primary care and psychiatry.	33.0	3.0

*Latest Twelve Months