



CRG EXECUTIVE Q&A

WAYNE CAVANAUGH
CEO, FAMILY CARE CENTER

premier
healthcare
investment partner



FALL 2023

INTRODUCTION

CRG's Sean Scanlan sat down with Wayne Cavanaugh, CEO of Family Care Center, to discuss the state of the behavioral health market and how Wayne and his team are working to address the mental health crisis by bringing critical therapy to more patients and expanding access to mental healthcare services.



“OUR MISSION STATEMENT THAT WE LIVE BY IS TO CREATE THE GREATEST POSITIVE IMPACT ON THE COMMUNITY THROUGH WORLD-CLASS OUTPATIENT BEHAVIORAL HEALTHCARE”

WAYNE CAVANAUGH, PICTURED ABOVE

to business school at Duke, and then went right back into private equity. I think the most impactful thing I've done in my career up to this point was working with Mark King at Revelstoke's predecessor entity, KRG. I worked almost exclusively with Mark on health and wellness or healthcare deals. Two that were highly influential on my career were ATI Physical Therapy and Liberty Dialysis. Both of those businesses went on to become multi-billion dollar companies and were built by phenomenal management teams with great executives. Much of my role in private equity was being on the ground supporting management teams, identifying hurdles to growth, and then finding ways to overcome those hurdles. Sometimes those hurdles were capital, sometimes they were people, new markets, acquisitions, etc. We were able to put together a set of long-term game plans on how to approach and tackle those hurdles. Most importantly, in addition to good leadership teams, ATI and Liberty Dialysis were culture-centric organizations that harnessed the power of their people to really drive growth at all levels versus trying to drive growth from the top down or from a spreadsheet. That culture built up a phenomenal inertia that carried the companies forward.

SEAN: Thanks Wayne. Building on that background, what led you to getting involved with FCC?

WAYNE: It's really my involvement with Revelstoke that extended into the opportunity with FCC. Mark King had asked me to be involved in the early formation days of Revelstoke and I wasn't in a position to join the organization at that time, but I told Mark I would love to help out wherever I could. He took me up on that. I looked at a number of companies and did diligence with him and his deal teams over the years. I really liked the Revelstoke folks, what they stood for, and how they went about doing business. When Revelstoke initially made the investment in FCC just two years ago, it was a much, much smaller company. The business was localized in Colorado Springs and was primarily focused on more advanced

Family Care Center is a Denver, Colorado based provider of outpatient mental health services that operates a network of clinics to treat patients suffering from anxiety, depression, mood disorder, post-traumatic stress disorder (“PTSD”), and other mental health conditions. The Company utilizes a fully-integrated care model with a focus on delivering evidence-based outcomes to its patients. It is the first investment out CRG's Fund V, which was completed in February 2023. Since CRG's investment, FCC has opened nine new clinics, including entry into the Nashville, TN and Austin, TX markets. The Company currently operates 25 clinics across Colorado, Texas, and Tennessee. FCC is a portfolio company of Revelstoke Capital Partners, a Denver-based middle market private equity firm.

SEAN: Thanks for taking the time to speak with me today, Wayne. For starters, maybe you could share a little bit about your professional background and career journey thus far?

WAYNE: Thanks for having me, Sean. I started my career in investment banking, then spent three years in private equity, went

depression treatment and utilizing transcranial magnetic stimulation (TMS) for veterans and the military population.

I've been around healthcare for a long time, but not a lot of that fit squarely with my background. So, I actually said no the first time Revelstoke approached me about the opportunity.

Not too long after that, my wife and I attended a fundraiser for the Navy Seals Legacy Foundation, which is a foundation to support military families impacted by loss of life or significant disabilities. Each Navy SEAL got up and gave a heart-wrenching account of the mental health issues that they had tackled, that their brothers had tackled, loss of life through suicides, and the struggles of life from PTSD, anxiety, and traumatic brain injuries. My wife and I kind of looked at each other that night and I said, "maybe I should really go check out this FCC thing."

In years prior, I'd really focused my career on working on community-specific companies providing something that was desperately needed but wasn't there and doing it with people that I liked and I trusted. So, I met with Dr. Weber (who founded FCC) and the rest of the leadership team. I immediately fell in love with what the Company stood for and how wonderful FCC's services are for the community. We're treating kids, adolescents, young adults, adults, and the geriatric population. We're not only doing that for talk therapy, we're doing it in a unique, integrated model with medication therapy and TMS, too.

SEAN: That's great, it sounds like it really has been a full-circle journey. You mentioned something along the way there about providing this service that historically has been severely under-provided. Could you talk a bit more about FCC's broader mission and what the Company set out to do?

WAYNE: There are a few important elements. Our mission statement that we live by is to create the greatest positive impact on the community through world-class outpatient behavioral healthcare. We've expanded on that to say we're transforming behavioral healthcare one community at a time, meaning the way we provide behavioral healthcare is different.

Typically, you'll go see a psychiatrist that's two miles down the road from a talk therapist that's down the road from a TMS provider. It's all fragmented, if they even exist at all in your community. None of the providers are talking, no one is coordinating your care. If you wanted to coordinate your care as a mental health patient, you would have to do that yourself. FCC is providing a fully-integrated care model that delivers positive patient experiences and great patient outcomes. Within that, we're providing clinicians that are in-clinic versus telehealth only. These providers in clinic are coordinating on more difficult, challenging cases to ensure patients get the best care possible. At FCC we've built an infrastructure that utilizes that integrated model as well as key metrics to ensure the patient is advancing in their clinical outcomes. We track PHQ-9 and GAD-7 scoring on every single patient where clinically appropriate, which allows us to measure how we're advancing that patient along their journey, where we're not, and where we can add more resources to move them into the next area of care. That's really special.



TRANSCRANIAL MAGNETIC STIMULATION (TMS)

DR. CHUCK WEBER PROVIDING TMS THERAPY TO A PATIENT. TMS USES PAINLESS, REPETITIVE PULSED MAGNETIC FIELDS TO HELP ALLEVIATE DEPRESSION AND ANXIETY AND TO IMPROVE COGNITION, ENERGY, AND MOTIVATION

And that is why I say we're transforming outpatient behavioral healthcare one community at a time. The community component is a localized impact, meaning we try to be a symbiotic part of each community that we serve. That includes working with individuals in schools, law enforcement and first responders, the military and VA communities, and families that need our services. Our mission is really measured in how many patient lives we impact. Over the last 60 days, we have served almost 13,000 active patients. This is the number one metric in every flash report that we review together on a weekly basis.

SEAN: One of the things that was startling to us at CRG during our diligence process for FCC was this huge supply and demand imbalance that exists for mental healthcare. What are some of the factors causing mental health to be so poorly served despite it being such a widespread issue for so many people?

ADDRESSING THE MENTAL HEALTH CRISIS

LACK OF ACCESS TO CARE IS A KEY CONTRIBUTOR



WAYNE: I think the first part on the demand side is the stigma around mental health issues. Most people have historically hidden issues or tried to deal them with secretly on their own. If you have an ankle injury and you're limping around the office, people can tell. Often times a mental health issue may not be that apparent to folks and isn't something you would be willing to talk about. Discussions around mental health were starting to open up pre-COVID, but the pandemic really accelerated those.

The other piece is the mental health crisis, which has accelerated and further squeezed the supply of mental health professionals that was already

limited. There was historically a lack of parity between mental health and physical health, and the market got caught really short on the supply of clinicians. I think that's improving now, and the world is changing its view of what a wonderful profession is to be a mental health professional. For a lot of people in the clinical world, as more people benefit from mental healthcare, whether that be test anxiety as a kid, overcoming some family issue, or a young adult learning the importance of mental health, a lot of folks want to pass that on. It becomes part of their calling and part of their career. The number of applicants is surging right now for folks moving into the mental health field. That supply gap will hopefully close over the next several years, but as an industry, we're still way behind on the number of mental health providers relative to patients needing care.

SEAN: On the mental health crisis that you mentioned, which I agree has been a big topic of discussion over the last few years, can you talk about some of the macro trends that you are seeing from the government and insurance companies to better support access to mental health care?

WAYNE: There are some really good payers out there that are taking more advanced steps in dedicating resources to address this, mainly by expanding the network of mental healthcare providers that are covered by insurance. These groups internally now have a Chief of Behavioral Health or a Chief Medical Officer heading up their behavioral health initiative.

The challenge that we also have is, unlike orthopedics, physical therapy, or even dialysis, we are decades behind in value-based care. It doesn't truly exist yet in our field for mental health with payers. It's really just about collecting basic outcomes at this point. There hasn't yet been the correlation between extensive mental health care and financial results to drive value-based care, but it's absolutely there. Payers are taking steps to try to accelerate that and close the gap, but the industry is in such an infancy

of sophistication here that FCC is a bit ahead of where the payers are expecting everyone to be. We collect outcomes measures on every patient where it's clinically appropriate, and that's unique.

SEAN: That's great to hear, it will be exciting to watch value-based care continue to evolve within behavioral health. What are some other ways FCC is uniquely positioned to address the gaps in access to mental healthcare?

WAYNE: Aside from outcomes, we are seeing a real focus from the payers to bring more groups like ours that can scale in-network. It's important to mention that this scale element is not just from the perspective of a single therapy line, but for integrated care, including talk therapy, medication therapy, and advanced treatment options like TMS. The fact that our services are geared towards the entire family and all age groups, from play therapy for kids through specialized care for the oldest adults, is really appealing. FCC offers a spectrum of services that allow us to treat a wide array of age groups and diagnoses within a single clinic. The status quo has been a lot of "single-shingle" providers in this industry that, despite being great professionals, cannot serve a wide swath of patient needs like we can.

SEAN: So Wayne, you've now been with the Company for about two years. Can you summarize a couple of key themes so far from your time with FCC?

WAYNE: So far, I'd say "fun." It's actually been "awesomely fun" if that's a word. We've got an unbelievably talented management team. I've worked with a lot of great management teams, but we have terrific alignment on our mission, great personalities, and a truly authentic style of leadership that feels really unique.

A lot of what we've been able to accomplish as a team is centered around our culture. In two years, we've taken a company that had 100 employees to over 500 employees across 25 locations, and we've done

that through a specific focus on the employee experience. We have probably the best Chief Human Resources Officer in healthcare (Sarah Walker). Much of what she does focuses on how we onboard people, and how we teach them our mission, vision, and values. We also have an educational component to support employees through our own FCC University program. The program offers hundreds of both online and in-person courses, but most importantly, it emphasizes our clinical operations.

FCC is a clinician-centric organization and that translates all the way up to clinical operational leadership. All of our clinics are led by clinicians. Our regional directors are clinicians, our COO (Dr. Ivany) is a psychiatrist, and we were founded

by a clinician. Today, we are still led by clinicians, and we really honor the provider experience. We strive to create a great environment for providers where they can choose their path. They can be a great clinician here and remain a clinician, or they can also move into a leadership pathway. We hold leadership



THE FAMILY CARE CENTER COLORADO TEAM AT A ROCKIES GAME FOR A COMPANY OUTING IN SEPT. 2023

summits on a routine basis and have a focused leadership development program to help advance their careers. Leadership opportunity applies to every employee level, meaning our TMS technicians, medical office receptionists, and intake professionals all have the same kind of opportunity available to advance and grow into ever-increasing roles within the organization. That's different – that creates a lifetime opportunity of learning and advancement.

We try to also surround our people with the community care component, which extends beyond what we do within the four walls of the clinic. It means actually doing fun stuff outside of the clinic, whether that's participating in volunteer days, food drives, fun run 5Ks, etc. That culture component is so critical to allowing the business to grow because now we've got clinicians who are inviting in fellow clinicians.

The final thing I'll add is thought leadership in our field. We recently hired one of the leading researchers in our industry to help FCC make new advancements in clinical care for outpatient behavioral health. We've already done two research studies that are moving toward publication and have plans to do several more. The goal is to be able to speak to the superior patient results we see from our integrated behavioral healthcare model and the specialty treatments we provide. This is unique, especially if you're a clinician that really cares about how your field is advancing. We have a team of psychiatrists on staff with ideas for new studies here at FCC. This really provides them with an environment where they can have an impact not only within the Company or their provider group, but across the mental health landscape.

SEAN: I know we're about up on time, but before we wrap – when you're not running the business, what do you do for fun?

WAYNE: Well, I'm a terrible golfer, but I'm a glutton for punishment apparently because I really enjoy the social aspects of it and getting outside. I'm also raising three kids. One is off to college and two are still in high school. My sons, daughter, and wife like to get out golfing now too, so that is a fun family activity. We spend a lot of time around sports stuff. It's kind of like the final days of raising a family before becoming an empty nester. Much of that is making sure you did your job as a parent to send them off into the world, but also enjoying every one of those final moments you have with them at home before they head out to college.

SEAN: Thanks so much, Wayne. It's been a pleasure speaking with you.