

A Year in Review

Jason Henke gives an overview of 2019, a busy year in Physician Practice consolidation.

Physician Practice Trends

1 Physician Consolidation

Research has shown across all physician demographics a propensity for physicians to join larger group practices. Several factors contribute to this trend including: work-life balance, income guarantees, shared support services, central business functions, decreased call burden, access to standardized clinical protocols and more sophisticated technology to support practice growth and sustainability.

2 Regulatory Uncertainty

With uncertainty around the future of the Affordable Care Act (ACA) and a rapidly changing reimbursement landscape, physicians are seeking the stability of larger organizations. Scale allows physicians an ability to focus on clinical outcomes while leveraging a larger organization for shared support services like mid-level providers, centralized business functions, and standardized clinical protocols to deliver high quality, lower cost care.

3 Alternative Payment Models

Value Based Payments- Reimbursement models that include a new paradigm in risk sharing and value based payment methodologies are on the rise as we see payors and providers develop new cost saving relationships.

Direct to employer contracting- is on the rise as “centers of excellence” offer a unique value proposition to large employers. Large employers, like Walmart have begun to directly contract with providers in an effort to bypass payors and curtail rising healthcare costs.

Narrow Networks- Payors and employers are more commonly seeking “best in class” specialty groups to direct patients and deliver high quality, lower cost solutions for patients.

4 Consumerism

Consumers of healthcare have far more access to information than ever before. Consumers have the ability to read provider reviews, research pricing for services, and share in clinical decision making. New entrants like Amazon, CVS Health and Walmart are improving patient access to healthcare and increasing competition. With rising deductibles, consumers are more conscious of costs for services including procedures, site of service and diagnostic imaging.

Drivers of M&A

Monetization

Private Equity Groups (PEG) and Strategic partners offer physician partners an opportunity to monetize a portion of equity at attractive multiples. The new partner has access to capital, sophistication in business operations and scaling expertise needed by today’s independent practice.

Scale

In order to deliver on alternative payment models, quality reporting, direct to employer contracting and other initiatives practices require an infrastructure and demonstrate value managing larger populations of patients. Physicians are often too busy practicing medicine to dedicate the necessary time, resources and capital to be successful in scaling.

Central Business Functions

PEG and Strategic acquirers can make an immediate impact through economies of scale to drive improvements in revenue cycle and back office efficiency, financials controls and sophisticated analytics.

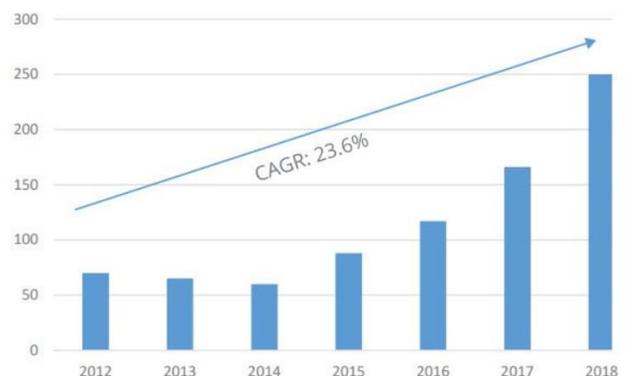
Ancillary Opportunities

Ancillaries can bolster the bottom line of a practice and improve the patient experience while directly controlling quality and cost. An acquirer can assist in the development and growth of ancillary service opportunities.

Second Bite” Transactions

Most transactions include physician owners rolling a portion of transaction proceeds into equity. Physician owners can often see more value in the “second bite” transaction than the initial transaction as the company obtains scale.

U.S. Physician Group M&A Transactions by Year



2019 Deals

According to a report published by Bain & Company “Global Healthcare Private Equity and Corporate M&A 2019”, Provider deals accounted for the greatest volume and deal value; accounting for ~37% of the global healthcare total.

Specialty	Target	Acquirer	Physicians
Gastroenterology	Atlanta Gastroenterology Associates (“United Digestive”)	Frazier Healthcare Partners	95+
Gastroenterology	Illinois Gastroenterology Group	GI Alliance (Waud Capital)	47
Gastroenterology	Puget Sound Gastroenterology	Gastro Health (Audax)	24
Gastroenterology	Peak Gastroenterology Associates	Varsity Healthcare Partners	42
Gastroenterology	Regional GI, Digestive Disease Associates and Main Line Gastroenterology Associates	Amulet Capital	88
Orthopedics	The Core Institute	Audax Group & Linden Capital Partners	88+
Orthopedics	The Orthopedic Institute	Varsity Healthcare Partners	15+
Orthopedics	OrthoBethesda	Atlantic Street Capital	13+
Orthopedics	Beacon Orthopaedics and Sports Medicine	Revelstoke Capital	27
Orthopedics	Orthopaedic & Neurosurgery Specialists	Kohlberg & Company	26
Urology	Central Ohio Urology Group	NMS Capital	21
Ophthalmology	Spectrum Vision Partners (Blue Sea Capital)	Long Island Eye Care	4
Ophthalmology	SightMD (Chicago Pacific)	Westchester Eye Associates	8+
ENT	Southern Ear Nose Throat and Allergy	Shore Capital	7+

*List is not all inclusive.

Recent Bloom Client Transactions

Bloom advises NJU  on the strategic partnership with Urology Care Alliance 	Bloom advises NJU  on the strategic partnership with Premier Urology Group 	Bloom advises Vanguard Surgery Center  on a JV with USPI/Hackensack Meridian Health	Bloom advises Jag – One PT  on a strategic partnership with Pamlico Capital	Bloom advises Tricity Pain Associates  on a strategic partnership with Spindletop Capital	Bloom advises Carolina Centers for Sight  on a strategic partnership with Eye Health America 
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About The Bloom Organization: Bloom has been advising physicians on transactions since 1990. Founded and lead by Mr. Henry Bloom, the Company is based in Aventura, FL and serves clients nationwide. Bloom’s investment banking expertise is in the healthcare services sector. If you are interested in learning more about how a transaction may benefit your business, please contact us at (305) 974 – 0700.