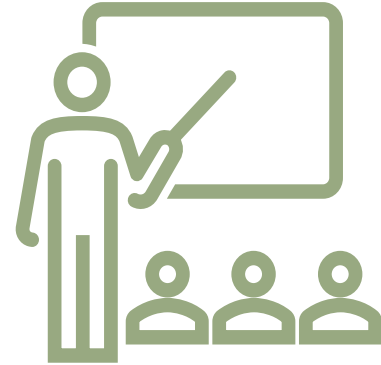




PRIVATE EQUITY MERGERS AND ACQUISITIONS – A SURVIVAL GUIDE FOR ADMINISTRATORS

Outline

- Introduction
- Practice Merger
 - Benefits
 - Potential Challenges
 - Due Diligence
 - Tips for Success
- Final Thoughts
- Questions



Introduction

- Define terminology – PE, M&A
- Staggering Statistics:
 - 2021 and 2022 were the 2 biggest years on record for Healthcare PE deals (Bain & Company online, 2023)
 - Physician Medical Groups
 - Managed Care
 - Rehabilitation
- Privately Owned Organizations:
 - Merger Challenges
 - No experience
 - Unprepared
 - Complicated
 - Merger Success
 - Preparing for challenges!



Benefits



- Enhanced Clinical Care
 - Access to:
 - Wider variety of healthcare professionals
 - Higher level of technology solutions
 - Increased ability to collaborate with other healthcare professionals
 - Sharing of risks and costs can reduce stress

Benefits

- Ability to Care for More Patients
 - Reduced administrative work for doctor owners
 - Operational tasks are handled by individuals with more expertise
 - Additional income for doctors who can now see more patients



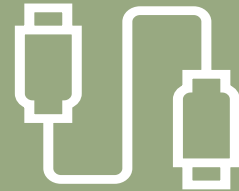
Benefits

- Economies of Scale
 - Larger organizations have more purchase power with vendors
 - Equipment, Medical Supplies, Office Supplies, Printers/Copiers, Shredding Services, Biomedical Waste, Postage Meters, etc.
 - Lower per unit costs = cost savings that can be used for equipment, upgrades and compensation packages



Benefits

- Access to Improved Technology
 - Larger organizations have financial flexibility to invest in the latest technology (ex: AI)
 - Investments can be made into more efficient EHR/PM systems with offerings such as:
 - Revenue Cycle Management
 - Voice Recognition Technology
 - Population Health Insights
 - Patient Communications
 - Improvement with IT support services



Benefits



- Increased Compliance
 - PE has expertise with overall compliance programs
 - OIG, OSHA, HIPAA, MIPS, FLSA, etc.
 - Employee Compliance Training systems and programs
 - Pooling compliance systems in a larger organization increases likelihood of achieving top reimbursement levels

Benefits

- Better HR Support
- Corrective Action, FMLA, Policies and Procedures, Recruiting Assistance
- Improved Employee Engagement and Retention
- Regular employee survey and
- Leadership Support
 - You're not on an island anymore!
- Better Benefits and Compensation Package
 - It is difficult for small practices to offer a comprehensive benefits package, mergers often provide a better overall package
- More effective Employee Orientation and Onboarding
- Training and Development
 - This should be a selling point to your team!

Potential Challenges

- Culture Clash
 - Long time independent practices may struggle with new culture and structure
 - Differing approaches to managing patients, personnel and administrative tasks
 - Retention and morale issues due to fear and change
 - Loss of operational control by owner physicians and other practice leaders (administrators/practice manager)

Potential Challenges

- Technology Differences
 - Differences in computer systems with both organizations
 - Difficulties with transferring patient records and data
 - Perception about training and integration issues
 - Dependent upon specialty, potentially working out of both new and legacy systems



Potential Challenges

- Negative Effect on Patients
 - Patients may fear changes in your practice
 - Merger must be properly communicated
 - Practice name change, DBA vs. TIN issues
 - Potential increased wait times during transition

Expectations

- Administrators often compile the data needed for due diligence
 - Short timeline to coincide with Letter of Intent
 - Involves the release of information to a third party
 - Medical records
 - Utilization and practice patterns
 - Financial information
 - Protocols and office procedures
 - Billing and Coding data
- Practice audit may be requested/required
- Often only select staff involved in due diligence

Due Diligence Tips

- Put everything in writing
- No assumptions about patient care philosophies, billing strategies, office systems, personnel/staffing, etc.
- Seek legal, financial and regulatory advice
 - You may be asked to provide information during due diligence that you legally can't provide (ex: payer fee schedules)
- Review malpractice history, licensure history, conduct criminal background checks, removal from any federal program, online ratings and a full financial review
- Carefully compare the pros and cons of all options with the assistance of counsel
- Ensure physician compatibility

Tips for Success

- Accept the challenge!
 - Mergers aren't easy, as the practice leader, it's important to embrace the change
- Maintain a positive perspective
 - You are the cheerleader!
 - Be prepared to deal with stress and discouragement within your team
 - Don't drink the Kool-Aid: Be honest, transparent, truthful, and honest to build confidence
 - Provide lunches, encouraging notes, and treats
- Be organized and stay on top of things!

- Inspire your team to find their best in difficult situations
 - As a leader, you must be motivated in order to motivate
 - Keep your team involved and informed regularly, within reason, to obtain their buy-in
 - Communication is key
- Integrate staff
 - Meet and greet with your team and incoming leaders
 - Review timelines and expectations

Tips for Success

- Maintain clear communications in all directions
 - Your team must clearly understand their assignments
 - Your team must be able to share concerns and suggestions with you
 - Other participants in the merger must also have clear communication
 - Vendors, contractors, accountants

- Be prepared
 - “Those who fail to prepare are prepared to fail “
 - Organize steps with a formal written plan and timeline
 - Arrange the work in a logical manner
 - A formal “roadmap” can reduce ambiguity and stress, allowing the process to be understood by all

- Empower your team
 - If a staff member shows a specific interest in a merger task, a temporary assignment could be a perfect connection
 - Include your staff in the project plan for the transition
- Address concerns
 - Do not ignore concerns or put them off for another day
 - Assign concerns to someone who can handle it, or schedule it appropriately on your to-do list, reviewing that list regularly

- Candid conversations
 - There may be uncertainty around your position as administrator, but DO NOT ASSUME the WORST!
 - Have conversations with your doctors and incoming leadership regarding your future
 - Ask the questions:
 - How will the merger affect your team?
 - Will positions be eliminated?
 - Will staff be expected to work at other locations?

Tips for Success

- Don't become hung up on tradition
 - The 'way we've always done it' isn't always the best way to do things
 - Approach new ways to do things with an open mind
- Celebrate Milestones
 - As transition milestones are achieved, celebrate them!
 - Celebrate those who go above and beyond!
 - Lunches, goodies, notes of recognition, gift cards

Final Thoughts

- Communication
- Organization
- Self Care
- Celebrate the 'Wins'



Questions



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