FUTURE OPTIONS FOR UROLOGY PRACTICE OWNERSHIP

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WHAT’S GOING ON OUT THERE??

• Hospital partnerships/purchases
• Private Equity partnerships / transactions
• Large group consolidation for expansion (cashless mergers)

• Private equity investments into independent medical practices are occurring at significant pace in multiple specialties
• Transactions in 2017 are estimated to be up dramatically in Dermatology, Ophthalmology, and now Urology
THE MARKETPLACE FOR MEDICAL GROUPS

- Physical Therapy: Athletico, Private Equity (PE)
- Anesthesia: USAP, PE
- Radiology: Rad Partners, PE
- Emergency Medicine: Team Health, PE
- Dermatology: Schweiger Dermatology, PE
- Optometry/Ophthalmology: Georgia Eye Partners, PE
- Multispecialty Group: Dupage Medical Group, PE
- Multispecialty Group: Davita, UHC/Aggregator
- Internal Medicine: Physicians Associates, Orlando Health Hosp
- Oncology: U.S. Oncology, Mckesson
- **Urology**: Chesapeake Urology, PE
DRIVERS FOR **OWNERSHIP** IN UROLOGY PRACTICE

• Urology demographics
  - 50% over 50
  - Decreasing workforce / increased demand
  - Young urologist want stability/larger group
• Aging population
• Significant growth opportunity in “disease specific” development
  - Prostate Cancer/ CRPC (increase in metastatic disease)
  - Overactive bladder
• Ancillary Services
  - Continued growth and expansion of ASC/Imaging/pathology/research
  - New growth in male and female sexual medicine
• INDEPENDENCE
  - Urologists have shown a predilection towards large group formation vs hospital employment
DRIVERS FOR SALE/PARTNER IN UROLOGY PRACTICE

- Increased costs/complexity
- Increased IT costs/complexity
- Increased overhead
- Carrying costs on Drugs/Supplies/Equipment
- More complex billing process
- Increased Compliance and Regulatory
- Skilled personnel: CEO/COO/CFO/CIO
DRIVERS FOR SALE/PARTNER IN UROLOGY PRACTICE

• Physicians don’t typically reinvest in **Growth**

• **Time**
  • Physicians are spending increasing time administrating
  • complex practices (business)
  • decreasing quality of life/work balance
GOALS OF PARTNERSHIP:

**Hospital**
- Network/regional control
- Capture case/patient volume
- Decrease competition
- Drive hospital health plan
- Increase revenue with fixed costs
- Maximize HOPD/Ancillary reimbursement through hospital contracting

**Physician**
- One time sale of practice
- Employment
- Stability (5 years)
- Minimal admin responsibility
- Fixed salary (+RVU bonus)

*Loss of control
*No growth strategy
*Fixed salary
GOALS OF PARTNERSHIP: PHYSICIAN AGGREGATOR

Insurer/ Large Healthcare Provider
• Very large group design
• Drive operating costs lower
• Admin fees for operations
• Control spending
• Better contracting on physician reimbursement and product purchases

Physician
• Joint venture (51%) sale of practice/ancillaries (one-time)
• Salary with growth
• Blended clinical/admin duties
• No back-office responsibilities
• Some influence on practice direction
• Corporate environment
GOALS OF PARTNERSHIP:  PRIVATE EQUITY

Private Equity
• Growth of “platform” and “add-on” practices
• Expansion of all ancillary services
• Practice management analysis and improvement
• Business operations maximization/data analytics
• Contracting
• Consolidation of redundant services
• Resale of practice in 5 years to larger PE/physician aggregator

Physician
• Sale of practice = multiple of earnings/monetization of physician compensation
• Salary decrease/recapture through growth
• PE alignment with physician to build practice – capitalization/management expertise
• Continued board and physician involvement on direction
• Local practice remains intact
• Retain “independence” but loss of control to PE
• “Second Bite” - sale of practice again leads to distribution
WHO ARE YOU?

PLATFORM
• Larger group
• CEO/COO/CIO/HR
• Most back-end operations in-house
  • billing
  • precert
  • IT team
• Full suite of ancillaries (ASC)
• Geographic presence
• Culturally integrated

ADD-ON
• Smaller group
• Officer manager
• Additional lower level support staff
• Major services outsourced
• Billing
• Some ancillaries
• Local presence but one a few in the area
• Some integration
4 BASIC OBJECTIVES FOR PE TO INVEST IN UROLOGY GROUPS

• Consolidation
  • Large “platform” exists and can add smaller groups locally, regionally or nationally

• Diversification
  • Expansion allows for less risk locally/reimbursement “uptick” in new markets

• Ancillary Services
  • Unlock total potential through further capitalization and expansion

• Administrative Services
  • Back-office operations consolidated/increased efficiencies/best management
BEFORE YOU SELL...MAXIMIZE THE OPPORTUNITY

**Must Have Strong Physician Leadership**

- Leave legacy practice and ideals behind
- Have a clearly defined organization chart
- Know your financials inside and out!
- Create flexible governance
- One single compensation formula for all members
- Think like investors not employees
  - Plan to build equity in the practice