

INDUSTRY SPOTLIGHT: PHYSICIAN GROUP CONSOLIDATION & STRATEGIC TRANSACTIONS

HEALTH CARE AND LIFE SCIENCES

Medicare's reimbursement methodology for physician services has been undergoing a major transformation—with a focus on paying for quality, cost-effective care—and commercial payors are following suit. For example, CMS has issued comprehensive regulations regarding the MACRA and MIPS initiatives, and bundled payment programs have expanded. Commercial payors are also moving to value-based reimbursement for physician services.

These and other developments have created uncertainty with regard to the future of medical practice, and have significantly increased physician group strategic transactions. Substantial capital investment and economies of scale are required to better equip physicians with the advanced EMR and IT platforms, data analytics, care management capabilities, seasoned executive management teams (managed care, billing, coding, compliance, HR, etc.), and other resources needed to be successful in the changing environment.

Epstein Becker Green (EBG) has been very active in advising physician groups of all sizes on a vast array of strategic transactions to best position them for these changes, including:

- Sales to, and consolidations with, large national physician services companies, private-equity-backed physician portfolio companies, and payor-sponsored medical groups
- Restructurings to form MSOs and ASOs to “corporatize” medical practice operations
- Combinations with other medical groups to form larger “mega-groups”
- Alignment transactions with hospitals and health systems
- Mergers with, and consolidations of, larger medical groups and hospital systems
- Co-management agreements with hospitals for specialty care service lines
- Clinical service line joint ventures with hospitals and national companies (e.g., Ambulatory Surgery Centers (ASCs), imaging centers, urgent care, etc.)
- Formation and sales of Accountable Care Organizations (ACOs), Clinically Integrated Networks (CINs), and Independent Practice Associations (IPAs)

Examples of our current and recent strategic transactions on behalf of large physician groups include the following (some closed, and some ongoing representations):

- Advising a large gastroenterology group in the Mid-Atlantic region in connection with the process of exploring and negotiating a strategic private equity investment transaction.
- Representing a large physician group specializing in eye care services in connection with its recapitalization last year to become a platform company of a private equity sponsor. This deal was one of the largest deals in this specialty sector.
- Representing several gastroenterology groups in the Midwest and Northeast in the process of exploring strategic investor transactions.
- Advising several large radiology groups in the Midwest, Northeast and Mid-Atlantic regions on strategic growth options, and potential transactions with investors/partners.
- Advising several large urology groups in multiple regions throughout the U.S. in the ongoing process of exploring strategic options and private equity investment transactions.
- Representing a large multi-specialty practice in New York (50+) in a transaction in 2018 to become part of a mega-medical group in the region.
- Advising several OBGYN and women's health groups in several regions across the country on exploring strategic consolidation options, including private equity investor platforms.
- Representing a large Midwest orthopedic and musculoskeletal practice with urgent care centers and ASCs in the formation of an MSO last year, and their ongoing exploration of potential strategic transactions.
- Representing a regional, nationally renowned, orthopedic group in the western U.S. in connection with an ongoing process seeking private equity investment/partnership.
- Serving as transactional and regulatory counsel to a large multi-disciplinary medical group, with over 40 practice locations in the Northeast (including urgent care centers), in an acquisition by Optum (and its affiliates) which closed in the fall of 2016, as well as several add-on acquisitions over the last 3 years.
- Representing a large dental practice with multiple offices in negotiating a major partnership with, and investment by, a health care services private equity platform.
- Representing a large multistate eye care group on a majority investment by a private equity fund, which process is ongoing.
- Serving as transactional and regulatory counsel to a large dermatology practice in the Northeast in connection with a strategic partnership with, and growth investment by, one of the largest private equity firms focusing on the physicians service sector (closed in 2017).

- Advising multi-specialty surgical group in the western U.S. on exploring potential strategic partnership options, including with private equity investors.
- Representing three orthopedic groups in the Northeast in connection with an ongoing competitive process to obtain investment for growth and expansion, partnering with either a private equity platform company or a strategic national health care company.
- Representing a private investor group in acquiring women's health and fertility practices in the Northeast, Midwest, and western U.S.
- Representing a private equity backed orthopedic platform company in several transactions, including the acquisition of larger orthopedic group practices in Arizona and Michigan.
- Representing a radiology group on a joint venture of multiple outpatient imaging centers with a large health system.
- Representing a major regional women's health medical practice in the Midwest, with several offices state-wide, in a sale to major health system (closed in 2017).
- Advising a large primary-care driven multi-specialty practice in the Northeast, with dozens of offices, in connection with evaluating strategic options to join a larger mega-group or health care system.
- Representing the seller in the sale of a multi-office practice with ophthalmology and optometry operations.
- Representing gastroenterology groups in the sale of majority ownership in endoscopy centers to national management companies.
- Representing two large imaging companies on add-on acquisitions of imaging centers and joint ventures with hospitals.
- Managing a series of transactions for a rapidly growing ophthalmology practice including acquisitions of a one-room surgical facility, an ophthalmology practice, and several optometry practices.
- Representing a private investor in acquiring primary care medical practices of all sizes in several states across the country.
- Representing a large dermatology practice in several acquisitions of smaller practices in order to expand both in size and scope of services.
- Representing a dermatology practice being sold to Summit Medical Group (a 500+ physician multi-specialty medical practice).
- Advising a national health care investor in the purchase of a target that operated hundreds of optometry locations across the country, and thereafter, advising the company on dozens of additional add-on transactions of other eye care centers.
- Representing a large ophthalmology practice and an ophthalmology based ASC in transactional, regulatory and compliance matters including internal audit, review and restructuring of the practice's co-management relationships with optometrists.

- Representing a national occupational health provider in developing and opening a large occupational health clinic in the Midwest for a Fortune 100 manufacturing company.
- Representing a national fitness company in establishing lifestyle medicine clinics in several states across the mid-west.
- Serving as regulatory counsel on an acquisition of a large Midwest chiropractor practice (40+ locations) by a private equity client.
- Representing a large musculoskeletal specialty health system in the acquisition of several orthopedic groups in the Northeast.
- Representing several medical groups of different sizes and specialties and in their acquisitions by Summit Medical Group.
- Providing representation to twelve different midsize cardiology groups in major physician alignment transactions with Hackensack University Medical Center.
- Representing two major health systems on joint venture transactions with a national imaging company for outpatient radiology services and imaging centers.
- Representing a large primary care group (75 physicians) in its alignment transaction with Hackensack University Medical Center.
- Representing a large cardiology group in a significant practice alignment arrangement with Atlantic Health System.
- Providing representation to a 300+ multi-specialty physician group in a major sale transaction to Northwell Health (North Shore-LIJ), one of the largest health care systems in the New York region.
- Representing a 200+ physician specialty group in New York on a major alignment transaction with Boston Children's Hospital.
- Representing a midsize specialty group in its alignment transaction with Columbia University Physicians.
- Representing a 900 physician multi-specialty faculty practice group in acquisition by a major Midwest health system.