Women's Health Partnerships

4 SECRETS TO SUCCESS IN AN EVOLVING SPECIALTY

TOGETHER
WOMEN'S HEALTH

Overburdened Ob-Gyn practices are finding relief and financial wellness in strategic partnerships.

In today's healthcare market, independent practices face myriad challenges to remain profitable and relevant. Now more than ever, competition is fierce, and complexity has increased. Patient experience, and public review of that experience, is driving the narrative for physician-led groups, making it increasingly necessary to improve managerial talent and business operations. To thrive in the evolving healthcare landscape, covering all your bases requires additional support and resources.

Consolidation in women's healthcare is an ongoing trend. Health system consolidation is booming, with hospitals aggressively acquiring physician groups in recent years. For some independent practices, partnering with a large health system, which can offer resources and professional stability, sounds like a dream. In reality, hospital-employed physicians work more hours yet see fewer patients than independent physicians. Additionally, losing control over one's schedule and clinical autonomy, as becomes the case for hospital-employed physicians, can be unappealing to many independent physicians, while others are willing to transfer this control.

Factors driving partnerships in healthcare

In women's health, Ob-Gyns are often overworked due to high delivery rates per physician, leading to earlier burnout than other specialties. Physicians who have built respected practices and do not wish to become hospital employees may feel unable to be rewarded the fruits of their labor, aside from selling their business to the remaining partners where decades of hard work, vision, and risk-taking are not properly compensated.

- Reimbursement changes
- Payor consolidation
- Rising administration costs
- Infrastructure investments
- Competition from hospitals
- Restrictions on referral sources
- Staff recruitment and retention
- Service line expansion

40% to 75%

of Ob-Gyns experience some form of professional burnout

- 2017 report by the American College of Obstetricians and Gynecologists

Partnership can offer something different

Private equity presents a favorable alternative to partnering with a health system. A private equity partnership empowers physicians to remain in control of their practice, while meeting their needs for investment capital to continue their growth and rewarding physicians for their decades of work building the practice. Private equity partners help physician groups prosper by enhancing efficiency and quality of care through better management and technology, adding or expanding ancillary revenue streams, providing resources for talent acquisition and retention, and overall cost reduction. The end result is better outcomes for patients, improved work-life balance for providers, and a significant return on investment for practice owners.

A strategic partner with access to outside capital allows physician-led practices to accomplish four valuable objectives:

1. **Finance key growth initiatives**
2. **Gain economies of scale**
3. **Improve and expand back-office support**
4. **Build a clinical community for sharing best practices**

Here, the secrets to achieving these objectives as an independent women's health practice.

1. Unlock strength through partnership

Businesses often fail due to lack of capital — both financial and human. Overcoming the challenges inherent to today's healthcare environment requires significant capital to hire, build, and advance. Private equity partnership can be a great way for physicians to remain independent, ensure financial security for the future, and gain a key strategic partner.

In the simplest terms, private equity ("PE") is the investment of capital in private companies. The overarching mission of private equity investing is to support management partners with capital, business development expertise, and industry knowledge to accelerate growth, fund acquisitions, and generate value for shareholders. The traditional private equity model includes an initial "platform" acquisition of one larger, multi-location physician practice in the targeted specialty, followed by continued expansion through acquisition of often smaller "add-on" physician practices.

Partnering with a PE firm whose business practices, history, and culture match yours ensures a smooth transition for all parties involved.

It is ultimately the physicians who create value in the practice and for this reason a PE partner will expect (or even require) partnering physicians to remain with the practice for a minimum of three to five years. Partnerships with private equity-backed organizations are commonly structured with a combination of cash and rollover equity, whereas there is no equity component in a hospital transaction. PE can successfully monetize the private practice's equity for partner physicians, putting money in their pockets that they would not receive in an internal buyout. Partner physicians are able to exchange some current income for equity in the larger platform that can grow over time and receive more favorable tax treatment in a liquidity event. Not only do physicians view PE as a more lucrative alternative to hospital systems, but also value that it preserves their professional autonomy while also offering lifestyle improvements.

Economics and resources are part of the equation, but the real harmony manifests in the shared vision, values, and mission of the practice and its partner. When considering PE, entrepreneurial physicians should examine the business practices, history, and culture of a firm and make certain that their goals align. Maintaining control of clinical decisions, making sure the focus remains on patient care, and respecting the physician-patient relationship are a few major boxes to check.

The "fit factor" is crucial, and an independent practice should carefully consider daily and long-term compatibility. A PE firm that has specialization in healthcare and years of relevant physician practice management experience will not only give you the best industry insights, but also enable a smooth integration and transition for all parties involved.

2. Leverage scale to manage costs

Healthcare organizations are combining to compete with larger players and gain better bargaining power. PE can bring economies of scale to resource-intensive aspects of a medical practice, including:

- **Information technology**
- **Regulatory compliance**
- **Human resources**
- **Revenue cycle management**
- **Finance and accounting**
- **Employee benefits**
- **Purchasing**

Economies of scale allow practices to share resources across the business, leading to superior cost control, while increased market share improves leverage with payors on reimbursement. Private equity partners can help physician groups grow and improve their efficiency and quality of care through better management and technology, as well as ready them for new value-based payment models. They can also help the practices become one-stop shops for all needed services and speed the shift to lower-cost outpatient settings.

Economies of scale

Specific to women's health, the benefits of scale achievable through a partnership with private equity include:

ADDITIONAL REVENUE STREAMS

Private equity-backed groups are not only able to spend more money on marketing and advertising to attract new patients, but also invest in adding or expanding critical ancillary services to capture referral dollars by bringing these services, such as mammography, laboratory capabilities, physical therapy, and mental health in house.

RESOURCES TO NAVIGATE THE REIMBURSEMENT LANDSCAPE

Early in partnership, PE can implement effective tools and methods, such as improved RCM and real-time data management, to increase collections and position groups for success in an evolving payor landscape. In time, the scale and scope of a PE-backed platform can create opportunities for firms to invest in value-based programs to improve quality of care, reduce overall costs, and enter into shared savings agreements with payors.

COST REDUCTIONS AND STRUCTURE MANAGEMENT

The scale created by a PE-backed organization offers the opportunity for reduced costs, including clinical supplies, medical devices, information technology, and malpractice insurance. These cost savings are often magnified when partnering with a PE partner who is active in a number of medical specialties or service businesses given vendor overlap.

3. Alleviate administrative headaches

In addition to the financial considerations, physicians often choose to partner with private equity to transition away from the burden of managing day-to-day operations and gain greater access to infrastructure-building capabilities. The end goal of this transition should be to improve the quality of life for physicians and free up time on their schedules previously spent on administrative responsibilities to use as they please.

A management services organization (MSO) assumes much of the business functionality of a private practice, enabling providers to focus on patient care. MSOs work to optimize the back-office and administrative functions, recruit talented managers, and improve the clinical quality and strength of the practices to which they provide services. Additionally, PE-backed organizations with a track record in healthcare will have well-established best practices to enable practice managers and other local leadership at partner practices to perform their roles better than ever.

Operational support services — from billing and payor contracting to marketing and business development — are managed to promote efficiency in day-to-day operations. Practices also benefit from the resources afforded by insights from industry experts managing these operations.

4. Recruit and retain top talent

In an era of hospital consolidation and rising labor costs, recruiting and retention are increasingly difficult. Partnership with private equity provides the resources to recruit and retain top physicians and hire quality employees across the practice.

In a highly competitive market for virtually all positions, a strategic approach to staffing is imperative. By itself, an independent practice often cannot meet labor market demands without the use of superior sourcing tools and methods. Partnership enables better and more effective recruiting in which a practice gains access to a broader network of talent, including physicians, mid-level clinicians, managers, and other office staff.

Partnership further elevates private practices through collaborative leadership. The implementation of a clinical advisory board extends the support of clinical leaders across the platform to discuss and discern trends, compare research, and share best practices to drive further innovation and clinical excellence. When considering the clinical aspect of a partnership in women's healthcare, it's important to note that large platforms have demonstrated the ability to work collaboratively with hospital systems to ensure that patients have access to high-quality, reliable gynecologic and obstetric services.

Partnership benefits physician practices and their patients

PE partnerships can provide independent practices with expertise and capital to further advance their operations and provide better care to patients while improving quality of life and increasing revenue opportunities. Entrepreneurial physicians see the value in a strategic partner who can equip them with the tools and resources to remain profitable and grow in a competitive and evolving healthcare environment. A successful partnership, one that empowers physicians and promotes alignment in a shared value system, allows for happier doctors and staff, more holistic and coordinated care, and improved patient experiences and outcomes.

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Get on the right team

4 THINGS YOU NEED TO KNOW BEFORE YOU PARTNER UP

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Building the right team

4 BENEFITS PARTNERSHIP BRINGS TO YOUR PRACTICE

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