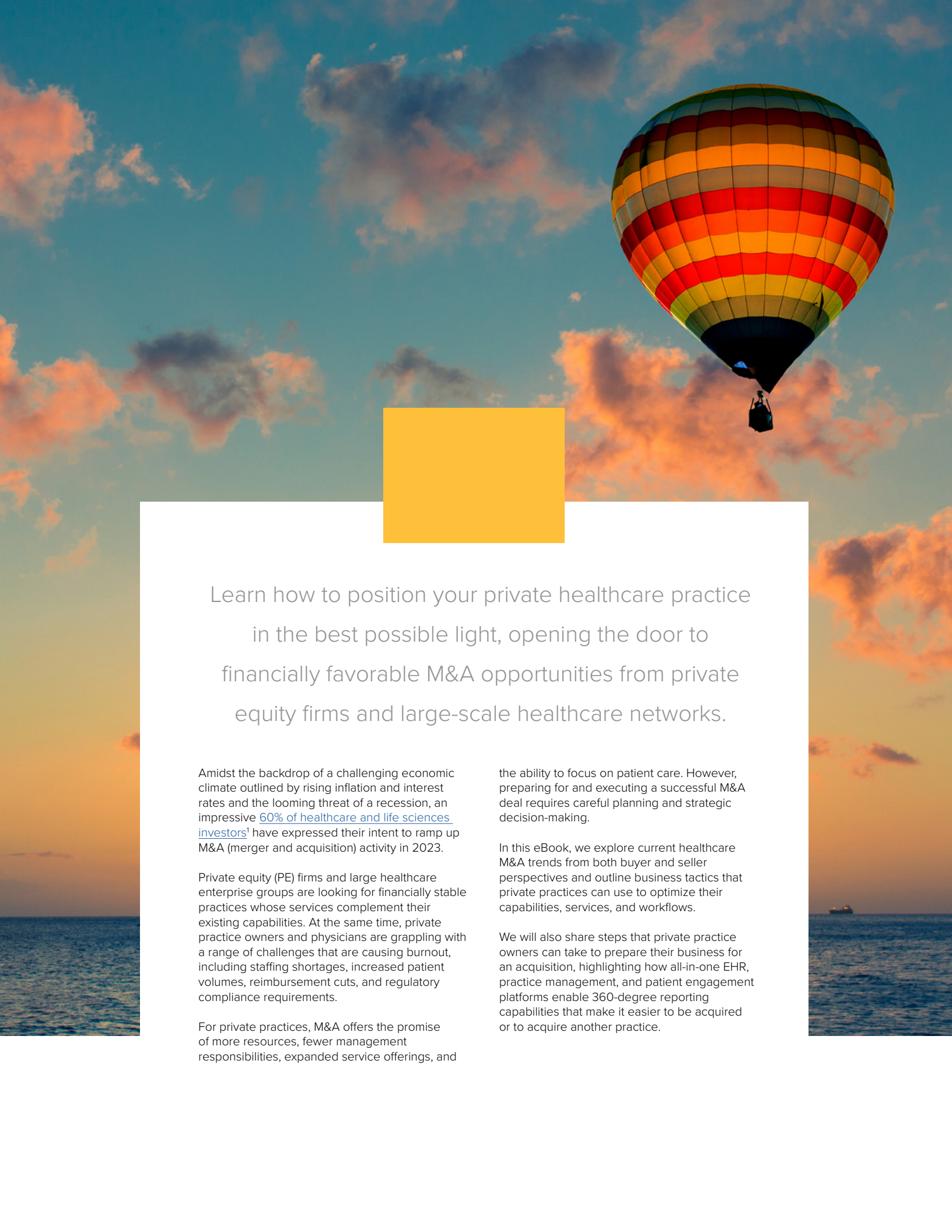


THE PRIVATE EQUITY M&A PLAYBOOK

A Guide for Private Practices





Learn how to position your private healthcare practice in the best possible light, opening the door to financially favorable M&A opportunities from private equity firms and large-scale healthcare networks.

Amidst the backdrop of a challenging economic climate outlined by rising inflation and interest rates and the looming threat of a recession, an impressive [60% of healthcare and life sciences investors](#)¹ have expressed their intent to ramp up M&A (merger and acquisition) activity in 2023.

Private equity (PE) firms and large healthcare enterprise groups are looking for financially stable practices whose services complement their existing capabilities. At the same time, private practice owners and physicians are grappling with a range of challenges that are causing burnout, including staffing shortages, increased patient volumes, reimbursement cuts, and regulatory compliance requirements.

For private practices, M&A offers the promise of more resources, fewer management responsibilities, expanded service offerings, and

the ability to focus on patient care. However, preparing for and executing a successful M&A deal requires careful planning and strategic decision-making.

In this eBook, we explore current healthcare M&A trends from both buyer and seller perspectives and outline business tactics that private practices can use to optimize their capabilities, services, and workflows.

We will also share steps that private practice owners can take to prepare their business for an acquisition, highlighting how all-in-one EHR, practice management, and patient engagement platforms enable 360-degree reporting capabilities that make it easier to be acquired or to acquire another practice.

EXPLORING THE ADVANTAGES

of Private Equity M&As

As you contemplate a potential merger or acquisition, it's understandable that your mind might immediately jump to the benefits of being able to focus more on patient care and the possibility of increased revenue.

While these are certainly worthy goals, it's important to remember that there are a multitude of potential positives associated with M&A opportunities.

ENHANCED CLINICAL CARE

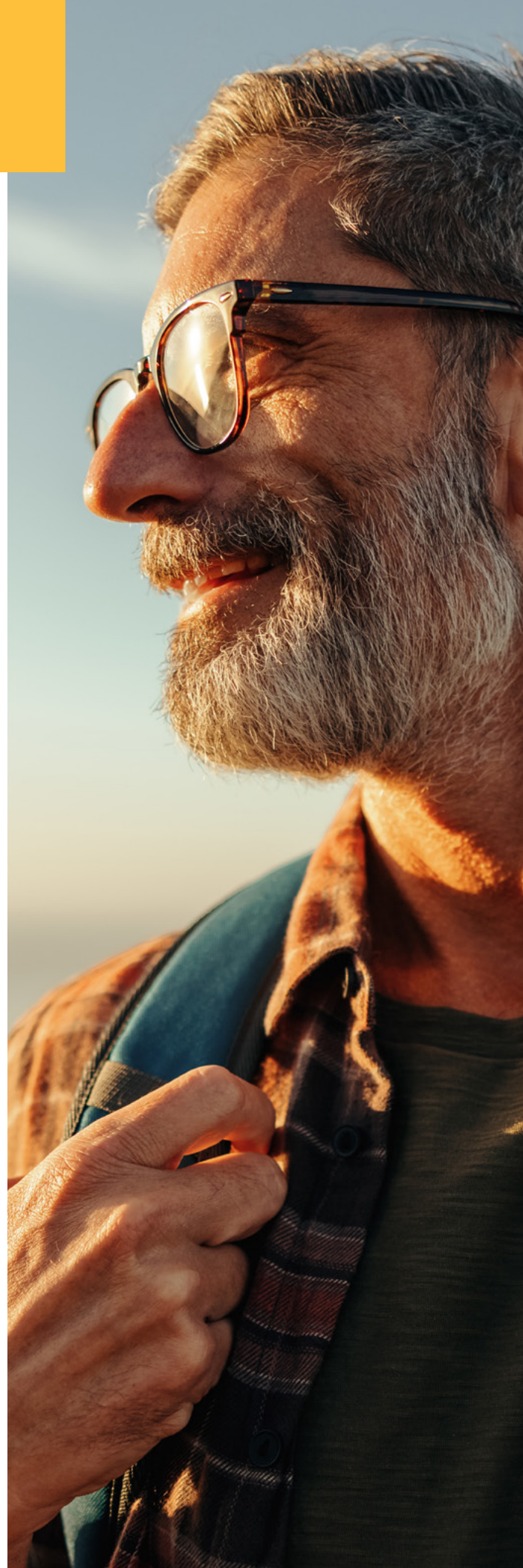
By merging with a larger healthcare enterprise or private equity firm, smaller practices can gain access to a wider variety of healthcare professionals and a higher level of technology solutions. This access can help create care plans that have the potential of achieving a higher degree of meaningful results. This integration can lead to better patient outcomes and a more robust practice, increasing the value and appeal to potential buyers in the M&A market.

ABILITY TO CARE FOR MORE PATIENTS

As a private practice owner, it's no surprise that you might find yourself juggling a wide range of responsibilities—from building maintenance to insurance reimbursements. Unfortunately, many doctors lack the necessary skills or resources to manage these tasks effectively, resulting in poor performance or the need to hire additional staff.

By merging, your practice can gain access to a wealth of specialized expertise. The acquiring partner may already have a dedicated building manager, insurance expert, and human resources department, to name a few. Offloading these tasks to specialists can free up more time for you to focus on what matters most – patient care.

With more time to see patients, the quality of care you can provide will likely improve which can lead to a boost in income through increased patient volumes.



ECONOMIES OF SCALE

In a small medical practice, it can be challenging to make purchases due to a lack of bargaining power. As the sole practitioner or small group, you must bear the burden of the office rent or mortgage, and you may not have the means to invest in new equipment or attract experienced staff.

Additionally, you may find it challenging to negotiate volume discounts for office supplies and technology purchases. However, merging with a larger group brings significant advantages in terms of buying power.

With more substantial purchasing clout, a larger group can secure lower per unit costs, making it possible to invest in equipment, upgrades, and compensation packages that improve the quality of care. These cost savings can be redirected toward providing better services to patients, thus enhancing the reputation of the practice and its ability to attract new patients.

ACCESS TO IMPROVED TECHNOLOGY

Small practices often face challenges in investing in the latest technology due to limited resources. There is also the added challenge of training admin staff on new platforms and tools. The costs associated with administrative, insurance, and personnel expenses often means technology investments fail to be prioritized.

While EHR systems and patient portals may be implemented to comply with government regulations, small private practices routinely miss out on more advanced solutions like automated billing, revenue cycle management, and automated notifications that can significantly reduce time and costs.

By merging with a larger network, private practices gain the financial flexibility to invest in the latest technology, streamlining the entire patient charting and communication process. A merged practice can enhance its performance, deliver better patient care, and improve outcomes across the board.



INCREASED COMPLIANCE

The shift towards a value-based healthcare system is being heavily promoted by the [Centers for Medicare and Medicaid Services](#) (CMS). As part of this transition, CMS has implemented Clinical Quality Measures (CQMs) to improve care quality, increase public information, and provide reimbursement for reporting.

Additionally, the [Promoting Interoperability](#) (PI) Program has a performance-based methodology centered around a smaller set of objectives. The [Quality Payment Program](#) rewards value and outcomes through Merit-based Incentive [Payment System \(MIPS\)](#) and [Advanced Alternative Payment Models](#) (APMs).

Practices that comply with these requirements stand to benefit from maximum reimbursement, while those that don't risk falling behind. Joining forces with a larger organization and combining compliance systems increases the chances of achieving top reimbursement levels.

CLEANING UP YOUR KPIs

WHY TRACKING YOUR DATA IS A TOP PRIORITY

Keeping track of your key performance indicators (KPIs) and using the data to make informed decisions is essential to the success of any healthcare practice, especially in today's competitive market. By tracking and analyzing KPIs, you can identify areas where your practice is excelling as well as any gaps in patient care or administrative shortcomings. You can then make informed decisions to improve the quality of care you provide, increase operational efficiency, and drive greater outcomes.

But tracking your data is only half the battle. It's essential to also activate the insights gleaned from your data to drive meaningful change. This involves putting processes and systems in place to act on your KPIs and make qualitative improvements in your practice.

For example, if your clinical outcome data shows a high rate of readmissions, you can use that data to implement new patient education programs or to improve discharge planning processes.

In addition to improving patient care, tracking, and activating your KPIs is also critical for attracting potential acquirers. PE firms and other large healthcare enterprises are looking for financially stable practices with a track record of providing high-quality care. By demonstrating your ability to track and use KPIs to drive positive change, you can position your practice as an attractive acquisition target.

KPIs THAT MATTER

To compete in today's market, healthcare practices must be data driven. By tracking the following KPIs, you can demonstrate your ability to deliver high-quality care, as well as gain access to accurate data that vastly improves your decision-making capabilities. These KPIs also can also make clear your practice's long-term stability and growth potential — all of which are major factors that heavily influence M&A deals.

Clinical outcomes

Clinical outcome data makes evident the healthcare provider's ability to do their job, delivering exceptional treatment programs that result in high-quality care. By providing concrete evidence of the effectiveness of your treatments and procedures, you can stand out from your competitors and prove your value to potential acquirers.

Productivity data

Because productivity data enables more informed decision-making capabilities, it gives private equity firms needed information so that they can be strategic with their investment dollars. By showing how your practice uses productivity data to improve various aspects of your practice, you can position yourself as an asset or even a bargain to potential buyers.

Financial health data

The financial health of your practice could be the biggest motivator (or deterrent) private equity firms use to evaluate M&A candidates. [Healthcare Innovation](#) shared a [study](#)² that found PE firms are increasingly looking for small operations with growth potential — a solid financial foundation is a key factor in their decision-making process. By keeping accurate financial records and long-term historical views of your practice's growth, you can make a strong case that your practice is a prime candidate for a merger or acquisition.

IMPROVING THE FINANCIAL HEALTH OF YOUR PRIVATE PRACTICE



Financial stability is a critical factor when it comes to positioning your practice as a prime candidate for PE firms. These firms want to invest in practices that have a solid financial foundation and growth potential, and showcasing your practice's financial stability is key to attracting the right investors.

Patient satisfaction is a key component of a practice's financial health. According to recent studies, [63% of patients](#)³ would consider leaving a healthcare provider if they weren't happy with payment options. This means that offering various payment options, such as card-not-present payment and other digital payment alternatives, can make a significant impact on patient satisfaction and ultimately the financial health of the practice.

INCREASING REVENUE

Identifying and focusing on the services or providers that generate the most revenue is crucial for the financial stability and growth of a healthcare practice. Data and analytics can help practice owners make informed decisions that increase revenue by identifying areas where there is potential for growth.

One way to increase revenue is to [implement revenue cycle management](#) tools that streamline and billing and collections. These tools can help practices automate billing, insurance claims submission, and patient collections, reducing the time and resources spent on manual billing and increasing the likelihood of receiving timely payments.

Another way to increase revenue is to add services that are in high demand. By analyzing data and identifying areas where there is a high demand for specific services, practices can expand their offerings to attract more patients and generate more revenue. For example, if data shows that there is a high demand for telehealth services, practices can invest in technology to provide these services and capture a larger market share.

By emphasizing financial stability and implementing strategies to increase revenue, your practice can become a more attractive candidate for PE firms and position itself for long-term growth and success.



THE POWER OF TELEHEALTH SERVICES

Telehealth has become a crucial aspect of healthcare delivery, especially in today's world where the COVID-19 pandemic has pushed more patients to [seek remote care options](#)⁴. By providing telehealth services, your practice can showcase its commitment to offering a patient-centric approach to healthcare. Patients appreciate the convenience of telehealth visits, which saves them time and travel expenses, ultimately improving patient satisfaction.

But that's not all. Offering telehealth services also positions your practice as a leader in the field. In fact, [according to a KPMG report](#)⁵, healthcare investors are looking to invest in telehealth and healthcare IT as these technologies are believed to be the future of healthcare delivery.

"Physicians in a wider range of specialties are adopting telehealth and, as telehealth becomes a bigger part of healthcare delivery, providers are looking for the technology to improve interoperability with health records, billing, and other systems," according to KPMG.

The reality is that telehealth services are quickly becoming mandatory in today's healthcare environment. Patients are increasingly expecting healthcare providers to offer virtual visits, and practices that do are perceived as more modern and responsive to patient needs.

Practices that embrace telehealth can improve the patient experience, differentiate themselves in a crowded marketplace, and prepare themselves for the future of healthcare delivery. By implementing a [comprehensive telehealth platform](#), practices can easily offer virtual visits and stay ahead of the curve.



HOW THE RIGHT TECHNOLOGY DRIVES SUCCESSFUL M&A DEALS

In today's fast-paced healthcare environment, it's important for private practices to have the right technology in place to optimize their capabilities, services, and workflows. Effective EHR, practice management, and patient engagement platforms can make all the difference for private practices looking to position themselves as potential M&A candidates.

At the core of successful M&A deals is accurate information — specifically, data that is tracked, analyzed, and activated. This is where high-performing technology solutions come into play. With these tools in place, private practices can make more informed decisions about their business, from clinical outcomes to financial health. The right technology can also fast-track M&A deals, ensuring valuable information is readily available and can be easily pulled into a report for the private equity firm evaluating private practice data.

[Cloud-based practice management and EHR solutions, like AdvancedMD](#), are designed to make it easy to integrate existing systems into new tech stacks, creating a unified system that offers 360-degree reporting capabilities. This makes it much easier for private practices to demonstrate their value to potential buyers, as they can easily provide data that showcases clinical outcomes, productivity, and financial health.

Not only does the right technology provide accurate data, but it also positions a private practice as a clear leader in their field. For example, offering telehealth services is a clear indicator of a practice keeping pace with the market and meeting patient expectations. Because telehealth has become increasingly important to the overall patient experience, providing telehealth services demonstrates a practice's commitment to taking a patient-centric approach to their business.

At AdvancedMD, we're committed to providing private practices with an all-in-one EHR, practice management, and patient engagement solution that delivers on every front. Our platform gives healthcare providers the tools they need to refine and improve their clinical outcomes and workflow processes so that they are ready when approached by private equity firms.



OPTIMIZE YOUR PRIVATE PRACTICE

for M&A & beyond with AdvancedMD

As the healthcare industry continues to see an influx of mergers and acquisitions, it's clear that private practices need to be proactive and prepared if they want to remain competitive.

But even if a private practice isn't actively seeking an acquisition, there are still many benefits to optimizing their KPIs, financial health data, and technology capabilities. With the right tools in place, private practice owners can improve their clinical outcomes, increase productivity, and deliver exceptional patient experiences.

At AdvancedMD, we know the impact technology can have on a private practice through all stages of its growth. Our all-in-one EHR, practice management, and patient engagement solution offers unified reporting capabilities that help drive more efficient workflow processes. And because interoperability is a cornerstone of our technology, we make sure practices can easily integrate our platform into existing systems.

Whether you're actively seeking an acquisition or simply looking to improve your private practice's overall health, AdvancedMD is here to help. [Contact us today to schedule a demo](#) and see how our technology can take your practice to the next level.

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