

FOUR KEY ITEMS TO LOOK FOR IN YOUR NEXT HEALTHCARE TARGET.

WE HAVE WORKED WITH HEALTHCARE-FOCUSED PRIVATE EQUITY GROUPS ACROSS THE COUNTRY AS THEY ASSESS DEALS, AND HAVE NOTICED A FEW KEY OPPORTUNITIES AND TRENDS WHICH THEY HAVE BEEN FOCUSED ON:

EXPANSION OF ANCILLARY SERVICES

When looking at physician practices and similar healthcare services entities, equity groups can identify significant upside by expanding ancillary services using the company's existing patient base. Adding certain ancillary services (such as imaging, laboratory, ambulatory surgery centers, for example) can significantly reduce the implied multiple from a purchase price, even after considering additional investment required.

ABILITY TO ADAPT IN A CHANGING ENVIRONMENT

"Disruption in healthcare" continues to be a buzzword for companies looking to raise capital and gain traction in the market. While disruption can have long-term benefits, identifying companies and management teams who have demonstrated an ability to adapt in the ever-changing healthcare market may prove to be among the best investments a group can make.

FINDING THE MISSING DOLLARS

Healthcare companies can miss out on sizeable amounts of cash collections annually given the high amount of patient co-pays and deductibles that are required, in addition to revenue cycle inefficiencies and lack of complete charge capture. Companies that have identified processes and technology to find these missing dollars have significant opportunities to help healthcare providers see high ROI on otherwise "lost" revenues.

SELLERS WITH VISION AND BUY-IN

Some transactions are successful because of reimbursement tailwinds, periods of economic growth, or a number of other macroeconomic factors. Other transactions are wildly successful due to partnering with sellers and executives who have a vision for growth and buy into their equity partner's investment thesis. Targeting individuals that will work collaboratively and identifying leaders that have a similar mindset as the equity group serves as a foundation that can help a company get through tough times. Finding a true partner is something both the equity group and sellers need to assess, and find common ground to make each other successful.

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