

Begin With The End In Mind



With guest speaker David Laurino, DPM of Marvel Foot & Ankle Centers



About Me:



- 20+ Practice Years
- Avid Coffee Drinker
- Prefer Bourbon or Pinot Noir
- Lots of Failures, Some Successes!
- Failed NFL Superstar
- Exploring How To Win The 2nd ½ Of My Podiatry Career

The Plan: By the end, you will be ready to...

- Decide how to craft your business strategy in light of accelerating consolidation
- Know what to look for in PE vs. PPSO (MSO)
- See your practice as an income-producing asset, not a job
- Build your vision for a more successful future in the years to come
- I'll share a proven plan for building a bulletproof practice, how to increase practice value, and find stability regardless of market conditions

Your Podiatry Practice:

- Single Largest & Highest cash producing asset you most likely own.
 - It's your personal **ATM!**
- BUT.....
- **What are you going to do when it's time to retire, transition, move on?**

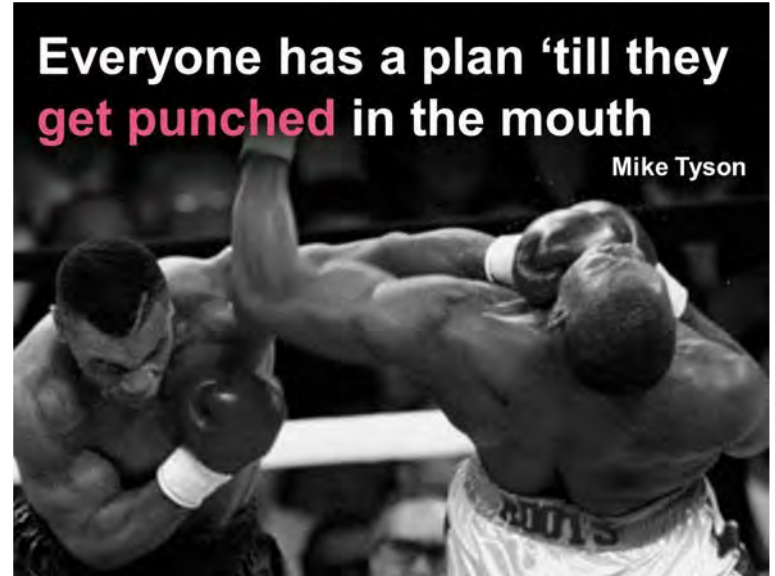


What Is Your Current PLAN for EXITING your practice?

1. Close it

1. Give it away (child)

***3. Sell it (most common)**



What got you here won't get you there

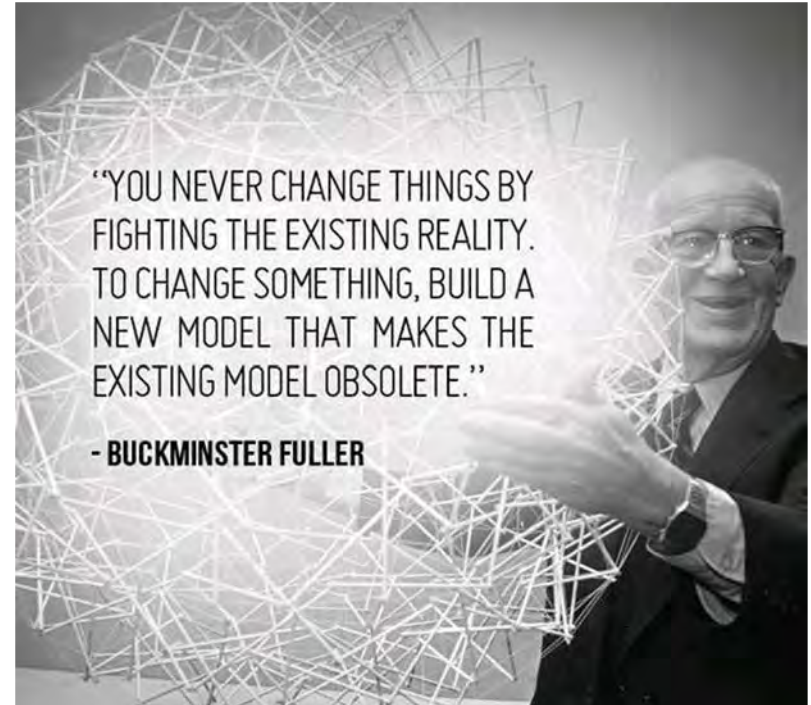
- When I started practice over 20+ years ago it was generally accepted you could "hang your shingle" and enjoy a long, lucrative career in podiatry. Unfortunately times have changed.
- There's more competition than ever, corporate podiatry is growing at an ever increasing pace, and we're just beginning to see the effects of record inflation and an upcoming recession.
- The writing's on the wall & there's too much at risk if you run your own practice & don't have a plan.
- That's why now, podiatrists need to get serious before the proverbial 🦌 hits the fan.
- If you own your practice the big benefit is you have is control.
- You can act! Knowledge is POTENTIAL power. **ACTION is POWER!** ... Tony Robbins

Change Is Coming If You Want It Or Not!

Corporatization of Medicine:

Consolidating previously independent parts of healthcare business into vertical and horizontal business structures with variable degrees of central corporate decision versus local autonomy.

Note: Forced Change is the Worst kind of change.



Here's What's Happening Now...

- One of the longest-running domino games happening in this moment to medicine/podiatry is the corporate buyout.
- The inciting incident has already occurred. The machine is at work. The dominoes are falling.
- Now, we could (in vain) try and stop the flow of kinetic energy.
- Or we can grab some domino pieces and build our own machine.
- Just because someone else has designed a system that benefits them (corporate/PE) doesn't mean we can't look at their blueprint and choose to build our own!
- Specifically, we're looking at both sides of the coin: what PE's don't do well (by our standards) as well as what they ARE doing well...**So that we can build something better.**
- Something that puts you in the driver's seat of your future, not some corporate "silent partner" who calls the shots and keeps you from achieving your true potential as a podiatrist and as a business owner with a future that matters.

What's Happening Now!

- UHC/Optum: **\$13 Billion** purchase of Change Healthcare (data analytics), Ins Co, PBM, UC, PCP (Healthcare Associates of Texas), Mental Health (Refresh **\$1.2 Billion**), ASC, PM Co, Home Care (LHC Group **\$5.4 Billion**)
- CVS's **\$8 Billion** purchase of Signify Health. Aetna, Caremark, Teladoc
- Walgreens' **\$5.2 billion** purchase of VillageMD (PCP)
- Amazon's **\$4 billion** purchase of One Medical (PCP)
- Walmart's partnering with UHC & Oak Street Health
- Humana PCP Clinics (Coming)
- Kroger & Albertsons **\$25 billion** merger

How Did We Get Here?

Were Not In Kansas Anymore Toto!



Medicine Fell Asleep @ The Wheel!



Why Is This Happening? Duh...Follow The Money \$



Publicly Traded Health Insurance and Managed Health Care Companies

Company Name	Market Capitalization
United Healthcare (UNH)	\$448 billion
CVS (CVS)	\$136 billion
Anthem (ANTM)	\$109 billion
Cigna (CI)	\$76 billion
Humana (HUM)	\$55 billion
Centene Corporation (CNC)	\$48 billion
Molina Healthcare (MOH)	\$18 billion
Bright Health Group (BHG)	\$2 billion
MultiPlan Corporation (MPLN)	\$2 billion
Alignment Healthcare (ALHC)	\$1.6 billion

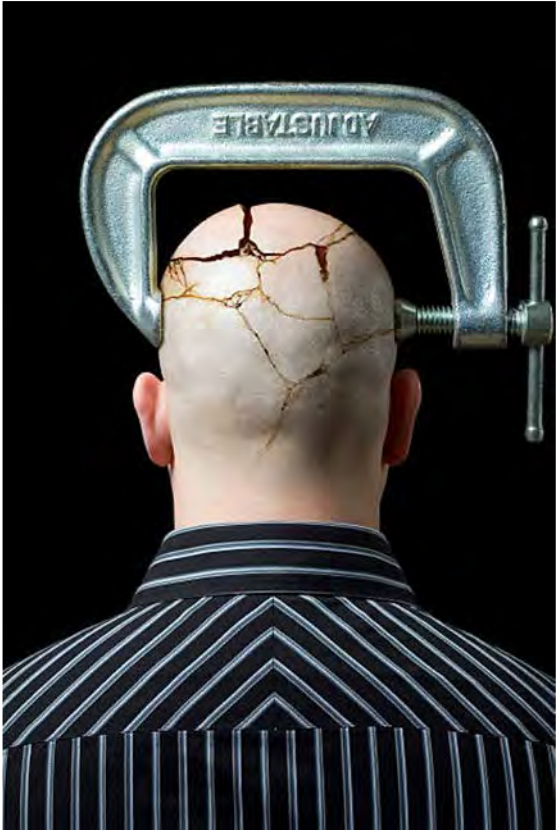
Market cap data as of March 1, 2022. Source: Yahoo! Finance

Who's Making All The Money?

- Health Insurance Companies: Bad!
- Hospitals: Bad!
- BIG Pharma: Bad!
- PE: Continuously making money off our hard work. Bad!
- PPSO (MSO): Physician Owned Physician Driven Service Organization. Good?



Is This You?



Problems In Private Practice - Pain Points

- **Burnout**
- **Increased overhead**
- **Decreased reimbursement**
- **Staff turnover**
- Motivationally impaired people
- Rising administrative burdens
- Experience w/insurance co.
- Decreased referral patterns



Problems In Private Practice - Pain Points

- Lack of negotiating leverage
- Recruitment is costly, challenging
- Hard to get good data
- IT costs, lack of support
- Feeling professionally isolated
- Bumpy transitions
- Compliance: keeping & staying
- Minimal work-life balance



Problems In Private Practice - Pain Points

- Hiring the right people
- Lack of patient retention
- EHR usability and interoperability
- Bureaucratic overload
- Too much time at the office
- Lack of autonomy
- Lack of respect
- Cash Flow Issues



What's your Tipping Point?



HEALTHCARE NEWS

25% of Clinicians Want Out of Healthcare: Survey

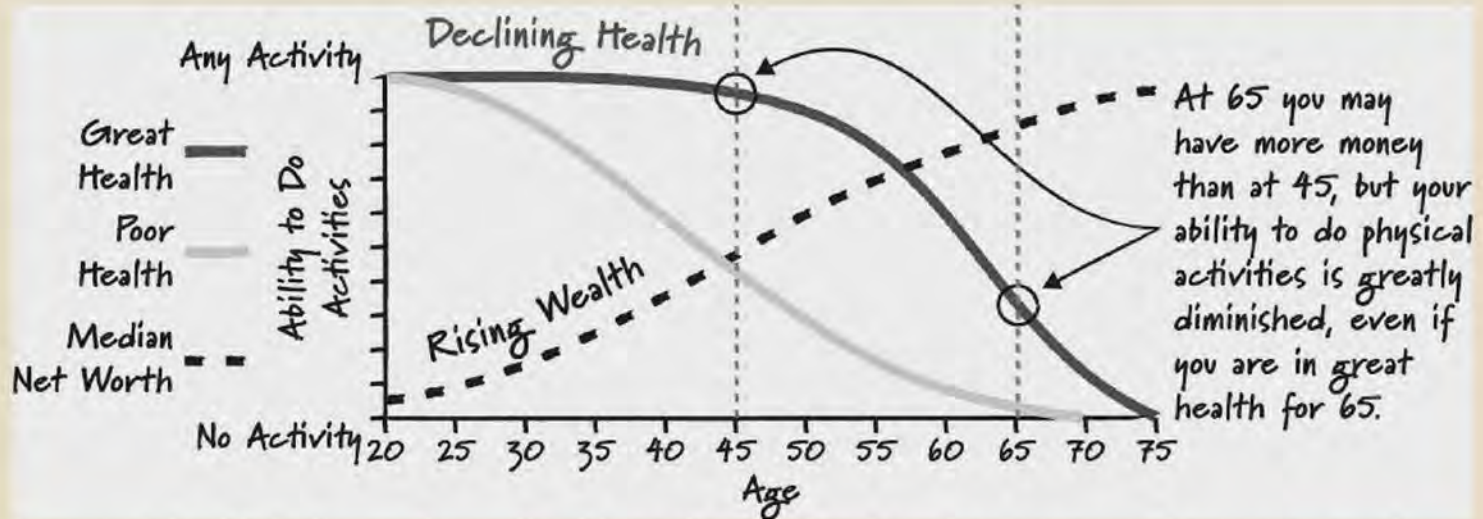
One quarter of U.S. physicians, advanced practice providers, and nurses are considering switching careers and one third are considering switching employers, according to newly released results from a survey conducted by Bain & Company. Below are some key takeaways from the survey and brief, which was released Oct. 11 and can be found in [full here](#).

1. Of the 25 percent of clinicians who are thinking about exiting healthcare entirely, 89 percent cite burnout as the main driver.
2. The top three things clinicians care about most in their profession are compensation, quality of patient care, and workload, according to the survey. Of those three, they are least satisfied with compensation (59 percent expressed satisfaction) and workload (60 percent). Eighty percent said they are satisfied with the quality of patient care.
3. Burnout shows up throughout clinicians' days, with 63 percent saying they feel worn out at the end of the workday, 51 percent saying they feel they don't have time and energy for family and friends during leisure time, and 38 percent feeling exhausted in the morning at the thought of another workday.

Source: Molly Gamble, *Becker's Hospital Review* [10/11/22] via Dr. Allen Jacobs

Die With Zero

Ability to Enjoy Experiences Based on Health



Everyone's health declines with age. Wealth, on the other hand, tends to grow over the years as people save up more and more. But worsening health gradually constrains your enjoyment of that wealth as more and more physical activities become impossible to enjoy, no matter how much money you can afford to spend on them.

Podiatry - Bridging The Gap

1. Where are you now?
2. Where do you want to go?
3. How are you going to get there?





M&A and PRIVATE EQUITY

The Meaning of Private Equity

- ❖ Private equity firms work by pooling money from investors that they use to buy businesses, create value beyond the purchase price, then **sell off** the combined portfolio company and return the profits to the investors.
- ❖ Often, the strategy in healthcare is to either combine multiple practices of the same type to dominate a market, or create a large multispecialty practice.

Podiatry Physician Practice M&A Activity Overview

The fragmented U.S. podiatry physician practice market, dominated by groups with less than 3 physicians, represents an attractive consolidation opportunity.

- There are approximately 4,500 podiatry physician practices in the U.S. and more than 96 percent of these practices are comprised of five or fewer physicians.
- Historically the podiatry market has remained largely untouched by outside investment and general merger activity, leaving significant room for consolidation.
- As solo podiatry practices face diminishing margins, PE interest has increased as they recognize the opportunity to consolidate and achieve economies of scale.
- As a result, podiatry is seeing increased interest from financial players including recent investments by Albaron Partners, Shore Capital and NMS Capital.

Key Factors Driving Consolidation Activity In Podiatry

1. **Fragmented Market:** Podiatry is served by largely smaller private practices, presenting an opportunity to embark on a Roll-Up strategies.
1. **Diverse Revenue Streams:** Ancillary services makes the specialty more attractive for potential buyers.
1. **Favorable Macro Trends:** An aging population will boost the growth of the specialty, thus fueling the interest of buyers in the sector.
1. **Increased Bargaining Power:** Larger Podiatry practices have more resources to allocate towards marketing expenditures and negotiations.

How Private Equity Firms Do Business

At their core, PE firms follow four steps:

1. Raise Capital: Limited Partners (LPs). Typically, these investors are retirement funds (OTPP), endowments, insurance companies, and wealthy individuals.

2. Source, Diligence and Close Transactions

3. Grow

4. Sell

Rinse & Repeat

Why Is PE Interested In Podiatry?

- Aging Population
- DM = Problem
- Obesity = Problem
- Wound Care = Problem
- Bigger Problems = More \$.
- Ancillaries (ASC, CT, MRI, PT, Path etc...)
- Regenerative Medicine
- Elective Services
- Health maintenance, not health care

Who Are The Players In Podiatry Consolidation?

PE Backed:

- FASMA/USFAS (NC, VA, MD, PA)
- PGP now Pacesetter Health (CO, AZ, TX, KY, OH, IN)
- Upperline Health (CA, FL, AL, GA, TN, WV, IN)
- Balance Health (CA/AZ)
- Curalta (NY/NJ)

PPSO (MSO):

- Weil Foot & Ankle (IL, MI, WI, VA, IN)
- AFA (GA, SC, FL)
- Privia Health?

Potential Advantages/Disadvantages of PE

Advantages:

- Growth Minded
- Working Capital for Growth
- Avoids conventional financing
- Leverage Resources for Scale
- Assist with Practice Mgmt.
- Succession Planning?
- Late career big payday?

Disadvantages:

- Autonomy gone*
- Control of practice gone*
- Decreased Salary
- Impact on Younger Docs
- 5 year “earn out” common
- Churn & Burn
- 2nd Transaction, no control

Extended Side Effects of Losing Autonomy

The Potential to Change/Decrease Quality of Care

- Long term staff members may be let go/replaced with corporate call centers and centralized billing departments (without the personal touch that your patients have become accustomed to)
- You will most likely have to treat a higher volume of patients in order to meet quotas (PE views your decreased admin time as increased clinic time/patient volume; for a lesser % than your standard net; 20 or 30 versus 40-50%).
 - Again, affecting patients

Here's one you may have never considered. . . Your preferred products and services may be out the window.

- You will most likely have to change EHR/PM systems (that's a given)
- What about the products, services you have utilized and the vendors you have depended on for years? Will you be “allowed” to continue doing business with them?

An interesting message from a preferred vendor that has taken exceptional care of my practices for nearly a decade. . .

“I think you should send a message out to all your clients who are considering being bought out by one of these big conglomerates. All that we work with do not pay their bills. I mean they literally just don’t pay their bills and they are on hold (meaning we stopped shipping product to them). We have talked to at least 10 doctors who are so disappointed that they sold out to these people. You should have all of them, contact their vendors and ask for a referral on the prospective buyer. I guarantee you they will not get a good review. The vendors are the only ones who will be honest and know how the company really operates. It’s un(*&^(% believable. Rant over. Don’t mention that I’m the one spreading the word, but I feel like they should know as all they see and hear is how great it’s going to be, but the reality is much different.

Who Is Buying Podiatry Practices?

- Private Equity Groups
- Supergroups - WFAI
- Podiatry owned groups (MSO)
- Small Pod Groups
- Ortho Groups
- Vascular Groups
- Hospitals. Not as common
- Multi Specialty Groups
- Definitely NOT Young Pods

Younger Pods

- Days of selling your practice to a young resident/associate are over.
- Younger pods have a different look at the value on their time.
- They're focused on time freedoms.
- They don't want the burdens of running a practice/business.
- Massive student loans and want more immediate guarantees of employment and income.

PODIATRISTS IN THE COMMUNITY

MO Podiatrist Joins Missouri Delta Medical Center

Jacob Randich, DPM, MS recently joined Missouri Delta Medical Center in Sikeston, MO. Dr. Randich earned his podiatric medical degree at the William M. Scholl College of Podiatric Medicine and a Master of Science degree at the College of Health Professions at Rosalind Franklin University of Medicine and Science.



Dr. Jacob Randich

Dr. Randich completed a podiatric residency at OSF St Anthony Medical Center.

Source: LinkedIn

PODIATRISTS IN THE COMMUNITY

OH Podiatrist Joins NOMS Healthcare

Mohammed Muntaser, DPM recently started a new position at NOMS Healthcare in North East Ohio. Dr. Muntaser earned his podiatric medical degree at the Kent State University College of Podiatric Medicine.



Dr. Mohammed Muntaser

Dr. Muntaser completed his podiatric residency at Lower Bucks Hospital in Greater Philadelphia.

Source: LinkedIn

PODIATRISTS IN THE COMMUNITY

NV Podiatrist Joins Southwest Medical's Oaky Healthcare Center

Timothy Brookes, DPM recently joined Southwest Medical's Oaky Healthcare Center location. Dr. Brookes earned his podiatric medical degree at the Western University College of Podiatric Medicine, Pomona, CA.



Dr. Timothy Brookes

He completed his podiatric residency at MemorialCare Long Beach Memorial Medical Center, Long Beach, CA.

Source: Vegas Inc. [9/12/22]

PODIATRISTS IN THE COMMUNITY

FL Podiatrist Joins Interoastal Medical Group

Interoastal Medical Group has added a podiatrist, **Logan T. Shannon, DPM** to its Beneva Professional Center Podiatry office, in Sarasota. Dr. Shannon earned a podiatric medical degree from Des Moines University College of Podiatric Medicine and Surgery in Iowa, and completed his residency in podiatric medicine and surgery at the Autman Alliance Community Hospital in Ohio.



Dr. Logan Shannon

From there, Shannon completed a fellowship in ACFA's Reconstruction and Limb Salvage at the Professional Education and Research Institute in Roanoke, Virginia.

Source: Herald Tribune [9/26/22]

The Meaning of Merger & Acquisition

❖ A **merger** is carried out when two companies or organizations comes in agreement to combine into one entity or when a company purchases another.

❖ While an **acquisition** always involves a company buying another. For healthcare mergers, this means that when two healthcare institutions come together, one organization is formed.

“In today’s global business environment, companies may have to grow to survive, and one of the best ways to grow is by merging with another company or acquiring other companies.” Jacalyn Sherriton

Potential Advantages of Mergers

- Strength in numbers
- Economies of scale
- Combined interests and talents
- Enhanced negotiating position
- Greater market access
- Wealth building
- Enhanced peer consultation
- Control
- Strategic advantages
- Increased financial security
- Lifestyle
- Ancillaries (PT, Labs, Imaging, RE)

Potential Advantages of Mergers

- Sell for higher multiple
- Pooled capital
- Risk sharing
- Spreading costs
- $1+1 = 2.5, 3, 4, 5$ etc
- Increase EBITDA both
organically and by acquisitions
- Lower overhead by efficiencies
- Diverse perspectives
- Less administrative headaches
- Smaller piece of a bigger pie
- Fastest way to wealth creation

Potential Disadvantages of Mergers

- Culture Clash
- Technology Differences
- Negative Effect on Patients
- Standardizing Operating Proc.
- Supply Chain Risks
- Reduction in Care Quality
- Job Losses due to redundancy
- Some loss of control/autonomy
- Redundancies
- Conflict
- Diseconomies of Scale
- Regulatory Problems (CPOM)

Why Mergers & Acquisitions vs. PE in Podiatry?

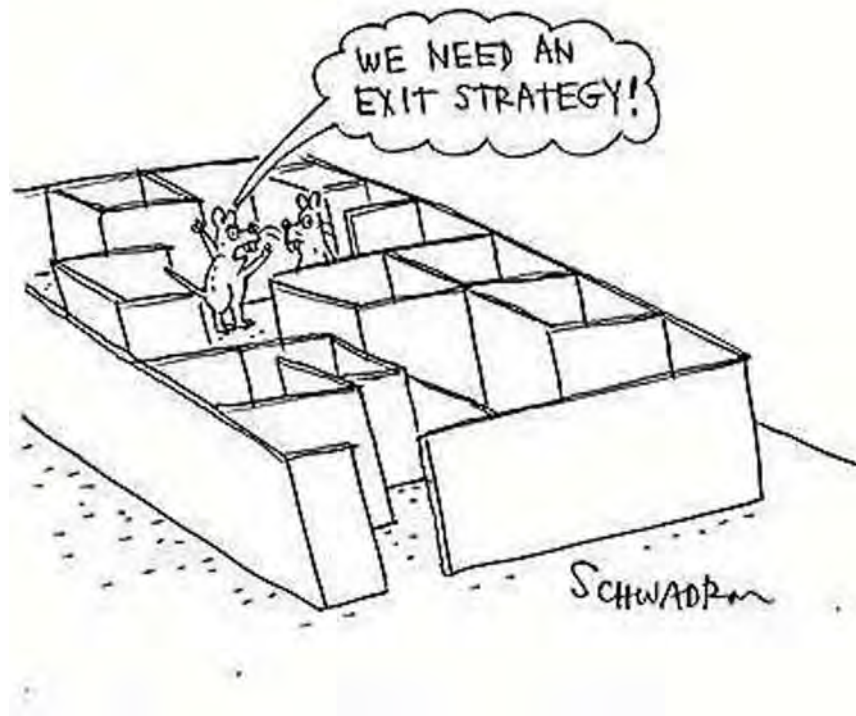
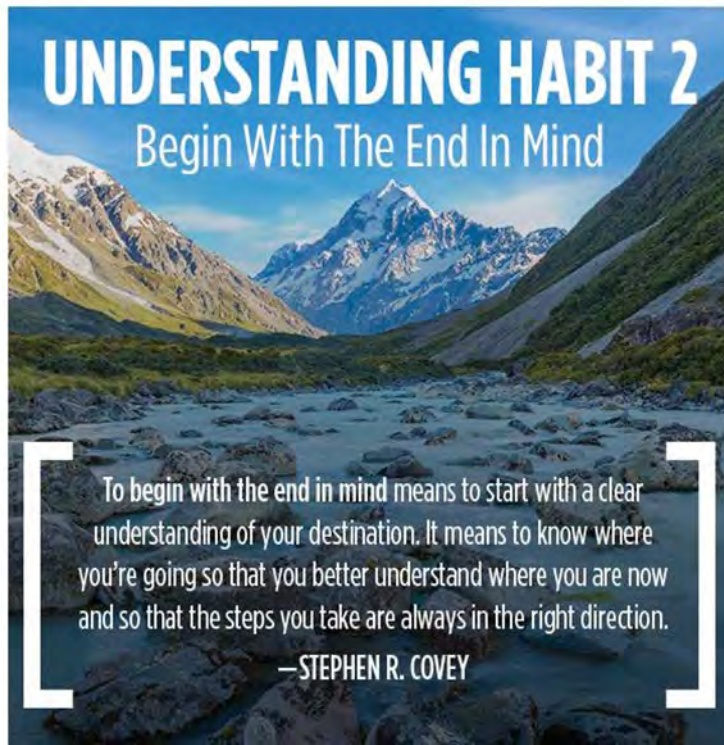
- 1) Improved Patient Care - Primary and overarching theme that all feeds back into
- 2) Increased Revenue-
 - a) Bottom line increased profitability
 - b) Increased distribution to all in the org.
 - c) Increased geographic coverage
 - d) Increased ancillary services (don't refer out!) and ability to invest in these:
 - i) Vascular
 - ii) MRI/CT
 - iii) PT
 - iv) EPAT/ESWT
 - v) Lasers (Class IV) - MLS
 - vi) Real Estate
- 3) Invest in higher (more qualified) Team:
 - a) Managers
 - b) Staff
 - c) C level suite (CMO, CFO, CTO etc...)
 - d) Can be life changing by increasing value
- 4) Economies of scale:
 - a) Staff - Cross train/reduce # of ppl needed
 - b) Supplies - Bargaining power
 - c) Locations
 - d) Phones - Call center
 - e) Purchasing power (the more you buy, the better pricing you get, negotiating power)
- 5) Marketing
 - a) Larger groups spend more, but spend less as a total for all doctors and locations included
- 6) Diversifying your business
 - a) If there is a dip in 1 practice or location, the whole organization is not fully impacted
- 7) Big Exit
 - a) Best way to set yourself up for B.E.



Habit 2:

Begin with the end in mind

Habit 2



Do You Have A Clear Vision OR Kaleidoscope Vision?

Clear Vision: A **distinct view or plan of goals** and how things will look in the future. A 'clear vision' implies that there is an **absence of distractions** or obstructions. Able to **see beyond what's possible today and look toward what is possible in the future.**

Kaleidoscope Vision: A **short-lived distortion** of vision that causes things to look as if you're peering through a kaleidoscope. Some people see **sparkling lights or blind spots.**



Are You Prepared For What's Coming?

- Systems vs Staff Driven Practice?
- Operations?
- Protocols?
- HR?
- Accounting?
- IT?
- Culture?
- Growing?
- **Strong EBITDA?**



Ahh, The P Word...Profitability

Revenue is Vanity. Profit is Sanity. But Cash is King!

- Do You Know How Profitable Your Practice Is?
- Profits are what you make as a business, not an owner. It's what's left over after you paid yourself (35%) a fair and honest wage as a physician.
- Business are valued based on profits, not revenue!
- The value is based on what somebody will pay for it.

Valuation of Businesses/Podiatry Practices:

Methodologies:

- Cash Flow Generation (Now)
- Discount Cash Flow (Future)
- Multiple of **EBITDA (profit)**:
Proxy for CF or profitability in a business and then they apply a multiple to it and that's the Enterprise Value (EV).

Podiatry Practice Valuation: "Sorry doc, your practice isn't worth much". Best I can do!



Enterprise Value

Current Multiples:

- 500k-1M revenue, 2-3x multiple
- 1M-2M revenue, 3-4x multiple
- 2-7M revenue, 1M profit, 4-6x multiple

Example:

- \$1M revenue
- \$500K Overhead
- \$350K Compensation
- **\$150K - profit**
- Place a multiple on the profit (3x) = enterprise value (\$450k)

How Do We Fix It? Options Going Forward:

1. Do Nothing
2. Group 2 Group Consolidation
3. Form A New Supergroup
4. Merge With A Larger Group
5. Form An MSO
6. Sell To Hospital
7. Organic Growth
8. Concierge (DSC) Practice
9. Join Private Equity
10. _____



We CAN NOT Do This!



When Is The Best Time to Sell?

- There is no set answer, but here are some things you should consider:
- The most entrepreneurial groups tend to enter financial partnerships **earlier** in the consolidation process. These early adopters enjoy certain advantages, including more influence over company culture. They also have the greatest equity appreciation potential.
- Physicians who partner **later** in the cycle will have gained more information about the buyer spectrum. They may take on less risk by joining a more established platform with an experienced management team and developed infrastructure. Less equity appreciation potential.
- Demand for strong physician partners, and thus valuations, can be highest at any point in the curve depending on individual buyer's goals.
- When to sell is ultimately a case-by-case decision.

Take Control Of Your Future/Controlling the Narrative

How do we control the Narrative?

- Podiatry “as we know it” is changing thanks to the long-reaching claws of corporate—from avidly recruiting new podiatrists to start their careers in a corporate setting to the predatory “letters of intent” that lure existing practice owners into indentured servitude.
- *Corporate* wants to turn your life’s work into their big, fat meal ticket.
- In fact, now that we’re “out in the open,” we are starting to see *even more acceleration when it comes to PEs trying to grab up as much as they can while they can.*
- Why should they cash-in when you can see yourself to the winner’s table?
- Don’t short-sell your life’s work for pennies on the dollar while trying to make you feel like you got a great deal
- Open doors to possibilities that you can’t even imagine right now.



For What It's Worth:

1. 🧠 Be willing to question conventional wisdom
2. 🧠 Beware the madness of the crowds
3. 🧠 Focus on fundamentals
4. 🧠 Find a group of like-minded individuals who have your same visions, goals, aspirations)

Remember This: Your Network is your Net Worth.

Vision Exercise

Close your eyes for 60 seconds and think about your life and business:

1 year, 5 years, and 10 years from now.

Who are you with?

Where are you at?

What are you doing?

Do you like each point in time and what is happening?

How would or could you make it better?

The Crazy Ones: <https://youtu.be/84RftIKGaWs>

THANK YOU!

Q & A
Time



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- Make sure to log into the PEP library frequently as we continue to add staff training videos, COVID and non COVID related patient forms, documents and more!
- Take advantage of your vendor discounts

