

# Consolidation in Florida and Beyond

# Common Characteristics

- ▶ You are SELLING your practice.
- ▶ Amount may be a combination of money and stock.
- ▶ Control shifts entirely to new owners. Hours worked, studies read, etc.
- ▶ Once you go through the evaluation, over 90% of groups do a deal. It is not a harmless exercise.
- ▶ “Sellers Remorse” has already started to occur with some groups, but it’s too late. Not to compete, financial penalties, more. You sold your Practice. Now people leave, retire, act out.

# Who Are the Players

- ▶ Radiology Partners(Radpartners)
- ▶ Mednax (Pediatrix, American Anesthesia, vRad)
- ▶ Envision (Sheridan, Amsurg, KKR Equity Partners)
- ▶ Lucidhealth (Excellere)
- ▶ US Radiology–Welsh Carson
- ▶ Strategic Radiology
- ▶ Preferred Radiology Alliance
- ▶ Daytona/Ocala
- ▶ Hospitals/Insurers

# RadPartners

- ▶ Over 1,400 Radiologists in 21 states (39,000 in U.S. or 3.7%)
- ▶ Recently had a PE infusion of \$700mil, \$4 billion valuation
- ▶ Paid high multiples of earnings (10 to 14 times)
- ▶ Played on greed and age
- ▶ Transactions: Radiology Associates Florida/Tower, Mori, Bean, and Brooks. Also, ADI Nashville–Chad Callendine, MD Optimal
- ▶ Current Marketing: Lower multiple/less compensation decrease
- ▶ Future: Positive, do not count on the second bite of the apple

# Mednax

- ▶ 825 Radiologists, 11 million studies read
- ▶ Stock currently around \$26 per share versus \$47 per share
- ▶ Paid moderately high multiples (8 to 10 times)
- ▶ Played off vRad acquisition and access to capital.
- ▶ Florida Transactions: Baptist Miami, Naples, Bethesda, Boca Raton—recently
- ▶ No recent marketing push
- ▶ Future: Questionable, paid too much for vRad and expected hospital contracts from it.

# Envision:

- ▶ Acquired Radisphere, Imaging Advantage
- ▶ Over 900 Radiologists; also have anesthesia and others
- ▶ Sheridan sold to Amsurg (HCA connection)
- ▶ Amsurg sold to Envision (needed different name than Sheridan)
- ▶ KKR of New York bought out Amsurg, et. al.
- ▶ Hollywood Florida and Sunshine Radiology (Adventhealth) groups acquired
- ▶ Numerous small groups, largely north, acquired
- ▶ Future: Questionable at best in radiology

# Lucidhealth

- ▶ Purchased large radiology group – Riverside Radiology, Columbus, Ohio
- ▶ Has acquired 6 rad groups. Recent acquisition in Wisconsin, two large groups in Madison and Milwaukee
- ▶ Largely utilizes Canadian teachers retirement funds
- ▶ Offered lower multiples, (6 to 8 times)
- ▶ Changed name from Excellere to Lucid
- ▶ No Recent Florida Activity
- ▶ Future: Non-Entity in radiology. Still buying dermatology and pain management groups.

# US Radiology Specialists

- ▶ Charlotte Radiology
- ▶ Purchased by Welsh Carson, Anderson, Stowe
- ▶ 100 radiologists, 50 plus years old
- ▶ 18 hospitals in North Carolina
- ▶ Read 1.5 million studies
- ▶ Future: Unknown

# Strategic Radiology

- ▶ Not a single Tax I.D.
- ▶ More of a coalition, 250 locations
- ▶ Started as alternative to acquisition
- ▶ Lost 5 major groups to RadPartners and Mednax
- ▶ Adding small groups as Affiliates. Have 25 groups.
- ▶ Quality Committee, Med. Mal. insurance, Billing, consulting biggest plusses
- ▶ Future somewhat uncertain due to cash calls

# Preferred Radiology Alliance

- ▶ Similar to Strategic, not a single Tax I.D.
- ▶ Florida only, approximately 240 radiologists
- ▶ 10 groups, 7 owners and three Affiliates
- ▶ Lost Naples group when disbanded two years ago
- ▶ Quality Committee, WC, Property Insurance, Billing, and Consulting
- ▶ Future– still bright, 20% per year return and no cash calls.

# Daytona Beach/Ocala

- ▶ Merged about 4 years ago
- ▶ 48 radiologists and growing
- ▶ Looking for Florida and outside Florida Partners
- ▶ Founder of PRA
- ▶ Future–bright for groups who wish to merge.

# Hospitals and Insurers

- ▶ Hospitals buying groups
- ▶ Insurers buying groups or affiliating
- ▶ Bankruptcy forcing mergers/consolidation of hospital based groups
- ▶ Major health systems want control

# Where are we headed?

- ▶ Most national companies sell, dissolve, merge within 3 to 5 years.
- ▶ New player emerges( company XYZ) Happens every 5 years. (APPI, Navix, MedPartners, etc.)
- ▶ Florida stays largely independent due to population growth
- ▶ Northern states see more mergers and acquisitions
- ▶ RadPartners sells to someone ( HCA, Kaiser, Mayo?)
- ▶ Multiples come down quite a bit
- ▶ Will we see Shands, Cleveland Clinic, Kaiser, Mayo's step up?

# ....Headed? (continued)

- ▶ Entities like Strategic and Preferred survive, if financially smart
- ▶ Some groups merge due to hospital mergers
- ▶ Cuts in radiology reimbursement may change everything
- ▶ Watch out for Blue Cross, United Health and others like Amazon, Walmart, CVS, Walgreens
- ▶ Will see significant activity over the next 5 to 7 years as PE bills come due.

# Thank You