International GI Training Grants

GRANT AWARDS: $10,000 | DEADLINE MARCH 31, 2022

Whether you live in the U.S. or another country, you may be eligible!
Acquire or develop new cognitive knowledge or technical skill to improve patient care in your geographic area. The grant is to be used for travel to and from the training center and to the ACG Annual Meeting as well as for incidental expenses related to the training.

Visit gi.org/trainees/gi-training-grants for more information.
ACG AWARDS

Nominate a Colleague by April 15th!

2022 Award Categories:
- New! NP/PA Award for Clinical Excellence
- Berk/Fise Clinical Achievement Award
- Community Service Award
- Distinguished Mentorship & Teaching Award
- Diversity, Equity & Inclusion Award
- International Leadership Award
- Master of the American College of Gastroenterology
- Samuel S. Weiss Award

Nominations for these awards will be presented at the College’s Annual Scientific Meeting in Charlotte, NC on October 22, 2022.

gi.org/about/awards

TUNE IT UP: A CONCERT TO RAISE COLON CANCER AWARENESS

ACG Virtual Community Event in honor of March Colorectal Cancer Awareness Month

Thursday, March 31, 2022 at 8 pm EDT

Hosted by Dr. Benjamin Levy and ACG Public Relations Committee

gi.org/Concert
Special Edition ACG VRG April 11, 2022 8pm - 9pm EDT

ASSESSING HEREDITARY GI CANCER RISK EARLIER:
INSIGHTS FROM A GI PRACTICE

Register Now for April 11th Webinar
giod.co/Care0411

Participating in the Webinar

All attendees will be muted and will remain in Listen Only Mode.

Type your questions here so that the moderator can see them. Not all questions will be answered but we will get to as many as possible.
How to Receive CME and MOC Points

LIVE VIRTUAL GRAND ROUNDS WEBINAR
ACG will send a link to a CME & MOC evaluation to all attendees on the live webinar.

ABIM Board Certified physicians need to complete their MOC activities by December 31, 2022 in order for the MOC points to count toward any MOC requirements that are due by the end of the year. No MOC credit may be awarded after March 1, 2023 for this activity.

MOC QUESTION
If you plan to claim MOC Points for this activity, you will be asked to: Please list specific changes you will make in your practice as a result of the information you received from this activity.

Include specific strategies or changes that you plan to implement. THESE ANSWERS WILL BE REVIEWED.
ACG Virtual Grand Rounds
Join us for upcoming Virtual Grand Rounds!

Week 14
CAM and Psychological Therapies for Functional and Inflammatory Bowel Disease
Jill K. Deutsch, MD and Laurie A. Keefer, PhD
April 7, 2022 at Noon Eastern and 8pm Eastern!

Week 15
There will be no ACG Virtual Grand Rounds on April 14th due to Passover and Easter.

Week 16
Practical Patient Education Tips and Strategies
Connie Arnold, PhD; Terry Davis, PhD; and James D. Morris, MD, FACG
April 21, 2022 at Noon Eastern and 8pm Eastern!

Visit gi.org/ACGVGR to Register

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American College of Gastroenterology | gi.org/Concert
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Disclosures

Daniel Pambianco, MD, FACG
Dr. Pambianco, faculty for this educational event, has no relevant financial relationship(s) with ineligible companies to disclose.

Vonda G. Reeves, MD, MBA, FACG
Dr. Reeves, faculty for this educational event, has no relevant financial relationship(s) with ineligible companies to disclose.

Samir A. Shah, MD, FACG
Dr. Shah, faculty for this educational event, has no relevant financial relationship(s) with ineligible companies to disclose.

Scott Fraser, MBA
Mr. Fraser is a consultant specializing in healthcare consolidation.

Stephen T. Amann, MD, FACG
Dr. Amann, faculty for this educational event, has no relevant financial relationship(s) with ineligible companies to disclose.

All of the relevant financial relationships for these individuals have been mitigated
PRIVATE EQUITY IN GASTROENTEROLOGY

I Chose the Private Equity Model: Reflections and Guidance

ACG Virtual Grand Rounds
March 29, 2022

Looking Back: Lessons learned one year in PE

Stephen T. Amann MD, FACG
Digestive Health Specialists powered by OneGI
Chair, ACG Practice Management Committee
**Took the leap**

- Background
- What has been the impact on some day-to-day clinical services and autonomy
- Quick TIPS to reflect on
  - Consultants, legal team

**Where I came from….

- Rural practice
  - Large rural healthcare practice
  - 10 Physicians, 4 GI NP
- Financially doing well
  - JV Endo
  - Pathology, infusions, research, anesthesia, PSA Call
  - Above 75% RVUs per MGMA
Why Private Equity?

Drivers for My PE Decision

**Market Forces**
- Limited local power
- *Single hospital system*
- *FOMO  GI PE is here*
- COVID pressure
- *Financial pressures*
- *United Health Care systems, Amazon Care, Walmart*

**Key Positive Drivers**
- Patient-centered care
- *Scale efficiencies business*
- Risk Sharing model
- Equity play
- Deal with regulations
- *Improve administrative leadership and strength*
My Choice of OneGI- Keys

- Patient care autonomy
- Physicians first
- Physician driven clinical governance
- Excellent administrative experience, leadership, and teamwork
- Agility in healthcare
- Regional dominance
- Path to partnership and ownership
- Smaller platform allow rapid growth
  - Scale EBITDA quicker
  - No preferred liquidation/No differentiation in stock

Our First year – General changes

- Clinical Autonomy - little change day-to-day
- Clinical staff is more motivated
  - Cohesiveness of staff improved
  - Retained top individuals
- Physicians remain focused on patient care
- Administrative staff
  - Invigorated, training
  - Feel supported and encouraged to excel / independent thought
Private Equity in GI: Reflections and Guidance

My Reality Check – Year 1

Challenges

• Integration
  • Centralized billing number, payer coverage
  • HR
    • 401 K
    • Health Insurance
    • Vacation, PTO, payroll
  • Cohesive alignment of all group MDs and MSO leadership
• Communication with staff

My Reality Check – Year 1

Challenges for MDs

• Income changes – understand “haircut or scrape”
  • Build new infrastructure of platform
  • MSO cost capped for group
• The accounting numbers are correct
• RVU based work accountability system
• Not involved in EVERY $$ decision
Drivers for MDs’ Anxiety

**TRUST**
- One of the most difficult transitions
- Develop trust in decisions and numbers
  - Back check, audits
  - Confirm physician clinical control and process
    - MLB
  - Respect local norms / networks
    - Relationships remain key
    - LEADERSHIP key in this
- Communication up and down
  - Developed open channels
  - Encourage physician involvement
1st Year MDs Wins ...

- Positive changes in contracting
  - Smaller payers
- Clear improvements in EBITDA or value of stock in MSO since joining
- Improved cost due to cost sharing
  - 401K, scopes, purchasing, infusion, pathology
- *Staff pay adjustments /COVID*
- Income repair – more to come?
  - Slower in new platform
  - Equity higher impact
- “Brain gain”

My 1st Year and Beyond: Expectations ...

- **No** sustentative changes in clinical autonomy but expect IMPROVED care:
  - Efficiencies
  - Patient centered care
- Improved Administrative leadership locally
- Improved education of MDs
  - Financial and leadership training
  - Incorporate guidelines, care lift
- Improved payer contracts, negotiations
  - **Less** anxiety for MDs day-to-day
So, PE in YOUR Future...

- You will need help in the assessment and choice of platforms
- PE firms are **experts** in the “deal”
- You should familiarize yourself with the vernacular of valuation, spreadsheets, and terms used by PE platforms
  - EBITDA, “haircut,” hold backs, enterprise value, RVU
  - ACG toolboxes
  - Read / research
- Pick trusted LEADERS in your practice
  - Dialogue, buy-in
  - Work directly with your team
- Know your own historical data
- Don’t go it alone

Pick YOUR Team

**Financial Consultant**

- Financial group with expertise in PE medical practice deals
- They will work for **YOU and YOUR** group interests
- Responsive, knowledgeable, meet in person and as needed, communication
- Remember to negotiate their fees
  - % of total value of the deal (3-5+% typical)
- MSOs all different
Financial Consultant – What They Do..

• Analyze and evaluate your business operations and financial position
  • Strengthen your EBITDA
• Help prepare offering memorandum
  • This will include a marketing plan
• Help screen and coordinate prospective purchasers
  • Analyze proposals
  • Coordinate information for purchasers’ due diligence
• Advise your company strategy and tactics for negotiation
• Advise on the structure and receivables or proposal disposition

Pick YOUR Team

Legal Team
• Evaluate purchase and employment agreement
  • Protect MD rights, autonomy
• Complex interaction
• Experience in PE and medical practice
• Get the BEST you can
  • $$ based on size, complexity of practice
Reflections

- My patient care and autonomy has not suffered
- Loss of income, gain in equity
- I remain pleased and encouraged
- If you jump in:
  - Go with the PE platform that allows you to continue with the mission of your practice
  - Don’t go it alone

You and your group have control of your future – in PE or not, understand and engage it!!!

PE: Is it for you?

Vonda G. Reeves, MD, MBA, FACG
GI Alliance
Flowood, MS
Basis for PE Interest in Gastroenterology:

• Average lifespan increases leading to increased demand for services
• GI resources are constrained, in need of streamlining
• Ancillary expansion is very lucrative
• Pressures from regional hospitals and healthcare systems to consolidate

MSO Types: Regional/National Platforms:

**Single specialty GI Practices:**
- Multi-regional: 300+ GI’s, 3+states
- Regional: 51-300 GI’s, 1-3 states
- Large local: 11-50 GI’s, 1 state
- Small local: 1-10 GI’s, 1 state

-- data constantly changing
**Why I Chose PE / Why PE Chose Me:**

- Largest GI practice in state of MISSISSIPPI: 27 docs, 10+ APP’s
- Mature ancillaries: path, motility, research, infusion, etc.
- Many suitors: regional, national PE platforms
- Local pressures from hospitals, insurance companies, payors, etc.
- Shrinking reimbursements: CMS, BCBS, Hospital GI’s, etc.

- “All or None” practice decision
Factors that Impact PE Mergers:

- PE bases their investment on future physician productivity
- Size of practice, number of ancillaries, number of ASC’s, anesthesia
- Fragmented business practices are exposed
- Age of physicians

PE/GI: Size Matters:

- Larger practices usually have mature ancillaries
- Human capital is primary
- Age of physicians is considered in analysis of practice
- Ex: Later career age: fewer years to practice, fear of withdrawal of equity, etc.
Age related decisions on PE:

• If future physician productivity is a premium, **age matters**
• Later-career retirement-aged physicians may look at PE as a “golden parachute” or ”EXIT” transaction
• Mid-career physicians expect to have **2-4 recapitalizations**
• **Drivers of long-term income may change or be unknown**
• Early-career physicians can expect to experience “scale” then finally an eventual “quiet” period. Multiple “recaps” across a career
• Exit from contract may mean disruption of life, moving, protective covenant restrictions, etc.

Expected Changes With PE:

Basis of MSO is to “streamline” business practices:

1. Centralized EHR across system
2. Centralized coding/billings system
3. Minimization of compensation plans: 1 of 2 to chose
4. Benefits become uniform
5. Universal 401K
6. Universal management of research studies
Expected Consistencies with PE:

• Clinical practice remains basically unchanged
• Supplies are same, but oversite on usage and expense expected
• Local governance is physician-guided
• MSOs are different. Ask who controls your schedule and patients
• Business as usual
• Clinical decisions are physician driven

Financial Changes with PE:

What affects change?
1. Ownership of ASC, number of ancillaries
2. % of ownership negotiated
3. Work based on wRVU’s
4. Ability to construct “income repair”
5. Overall size of the “scrape”
6. Know what % are fixed, versus flexible
Defining the “Scrape”:

• In business terms, creating EBITDA through “financial engineering”
• Reduction in physician compensation, usually 20-30% of earnings before physician compensation
• “Scrape” compensation off the top from physicians in order to provide a return on investments (ROI)
• “Scrape” can vary; may not be obvious upfront
• Trade-off: Cash upfront (lower tax rate) v. future compensation (higher taxes)

Are There Add-ons to the Scrape?

• Other fees may be added to “scrape”

• “Platform Allocation”-rent, accounting legal fees of MSO

• Size of Scrape depends on what you give up

• More money “upfront” equals a larger “scrape”
Changes with “Recap”:

- **GOALS**: continue to attain “scale”, human productivity
- New investment owners of MSO: Optum, Google, Walmart, etc.
- New “vesting” schedules
- New ownership % negotiated in new contract

Why Vesting Matters:

- **Definition of Vesting**:
- **Goals of Vesting**: maintain capital to run MSO; defer withdrawal of sizeable share value; protect MD productivity
- Vesting schedules typically change with each recap
- Vesting affects younger physicians, new partners, physicians approaching retirement
Role of Compensation in Recap:

- Shares equity: if equally distributed, ALL win
- Younger GI’s have fair chance to have long term income
- Share inequity: may lead to discontent with each recap
- Consensus may be hard to obtain

Future Threats to PE/GI M and A’s:

- Heavy reliance on one procedure to fuel ancillaries: colonoscopies
- Disruptive technologies: liquid biopsies, etc.
- Digital health platforms
- Disruptions of the “second bite”: same contract, management, schedules of vesting, etc.
- No income repair
SWOT ANALYSIS OF Future of GI:

- **Strengths**: escalating demands for services, vertical integration, etc.
- **Weaknesses**: predictable manpower shortage, dwindling academic production, poor income repair
- **Opportunities**: shifts in technology, APP training
- **Threats**: liquid biopsies and other disruptive technologies, business model failures, etc.

Best Practices in Physician PE Transaction:

- 1. Don’t be in a hurry to pick a private equity firm
- 2. Retain knowledgeable consultants and advisors
- 3. Understand that the practice arrangement on a going-forward basis will be different
- 4. Be prepared with due diligence materials early in the process
- 5. No matter what the PE firm says, do not rely on the management company to go public

Tips for ACG Members:

• Early on, get the best advisors that you can afford
• Every aspect of the practice scrutinized
• The “honeymoon” last on average for 1 year to 18 months
• Recapitalization can occur quickly in some platforms
• Physicians tend to overvalue practice
• What you consider valuable may not be a factor in your negotiations
• Age matters, size matters
• Continuously ask questions

Tips for ACG Members:

• Consider this as “marriage” with a “prenuptial agreement”
• Know your “in-laws” well
• Don’t spend all your “upfront money”
The Prevalence of Private Equity in Healthcare & Gastroenterology

Scott Fraser, MBA

Founding Partner
Fraser Healthcare, LLC

Market Forces are Driving Physician Consolidation

- Payor Consolidation
- Hospital Consolidation
- Industry Consolidation
- COVID
- Labor shortage/costs
- = Burn Out
**Payor Consolidation – An Oligopoly**

- **>55,000 Doctors**
- **>5.5% of all Doctors in US**
- **>$1B Rx claims**
- **>$74B Rx spend**
- **>220 ASCs & growing**

**Private Equity Overview**

- Large institutional funds w/trillions of $’s in “Dry Powder”
- Operated by sophisticated teams w/unlimited access to capital & data
- $’s comes from pension funds, endowments & .1%
- Have ability to invest trillions in private markets & billions in Healthcare
- Over 25 years, PE firms averaged >13% returns vs S&P <9% returns
- Greater than 8,000 PE companies
Private Equity in GI: Reflections and Guidance

Private Equity Firms Had a Dramatic Increase in 2021 Healthcare Transactions = >$151 Billion w/ >$51B of it in MSO Transactions*

* Bain & Company Global Healthcare Transaction Report 2021

- PE Firms closed 214 MSO deals in 2021
- 145 MSO deals in 2020*
- MSO deal value rose to $51.3 billion from the previous high of $35.8 billion*
- MSO multiples range dramatically

Why PE Loves Healthcare:
Healthcare deal internal rates of return (IRR) have outperformed the broader private equity market by a median 6 percentage points over the past decade*

Private Equity Investment Thesis:
+ Doctors threatened by market forces
+ Healthcare is fragmented
= PE Consolidation = IRR = $s

*Bain & Company Global Healthcare Transaction Report 2021
• 48,400 additional physicians were employed by hospitals or corporate entities over the two-year study period – 22,700 of that shift occurred after the onset of COVID-19*

• Physician employment grew in each of the four 6-month periods analyzed*

• There was a 3.4% increase in the growth rate of hospital or corporate-employed physicians in the last half of 2020, following the onset of COVID-19*

*Avelere Healthcare analysis of IQVIA database 2021

Nearly Seven in Ten Physicians Employed by Hospitals or Corporate Entities at the End of 2020*

• 69% of physicians were hospital or corporate-employed by January 2021

• Over the two-year study period, the percentage of employed physicians grew by 12% *

*Avelere Healthcare analysis of IQVIA database 2021
Reported Gastroenterologists Interest in Joining an MSO*

Research Methodology:
- QTR survey of GI panel >50 GIs
- Quantitative measure of GIs intentions to join MSO
- 80% increase in intentions of joining an MSO reported

5 Year Growth of Private Equity MSOs

With nine platform groups and more than 68 bolt-on groups, MSO-affiliated practices now manage an estimated 1,100+ US gastroenterologists.
### How do the Gastro MSOs Differ?

<table>
<thead>
<tr>
<th>National Focus</th>
<th>Regional Focus</th>
<th>Hospital Focused</th>
<th>MSO “Light”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gastro Health</td>
<td>U.S. Digestive Health</td>
<td>Allied Digestive Health</td>
<td>gastro Care Partners</td>
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<tr>
<td>GI Alliance</td>
<td>United Digestive</td>
<td>Pinnacle GI Partners</td>
<td>practice solutions</td>
</tr>
</tbody>
</table>

#### Considerations:
- Local market conditions?
- Pressure points?
- Leadership?
- Autonomy?

#### Valuations:
- Transaction value vary - EBITDA scrape
- Sponsor’s timeline & Avg age of docs
- Payer contracts & rates
- Optimized ancillary lines

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Founding Partner  
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484-888-2223
Questions and Answers

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Questions?

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