

Market Perspectives

Transcript

DAVID TYLER: Hello, I'm David Tyler, the National Managing Principal for Healthcare at Grant Thornton. Welcome to the next edition of our Groundbreakers video series, where we bring together healthcare experts to address topics of interest to you and to me as healthcare people that are facing challenges every single day.

We appreciate your time today, and if there are topics of interest, please let us know. We'd love to hear from you. And now, let's turn it over to our speakers.

LANCE BEDER: Hello, and welcome. I'm Lance Beder, a partner in our Healthcare Transaction Advisory Practice. I'm joined today by two of my partners, Adrienne Boylen, who focuses on revenue cycle management and transaction performance improvement, and Glenn Barenbaum, who co-leads the Healthcare Transaction Advisory Practice with me. So, Adrienne and Glenn, thanks for joining.

Glenn, as you know, these last few years have been pretty crazy with transactions in healthcare. We've seen a lot of diverse changes in the market. Can you talk about some of the deals that you've seen, some of your predictions for 2024, and maybe what are the things that sellers are doing different today than they used to do years ago?

GLENN BARENBAUM: Absolutely, let me break down your questions there. So, as far as, I think, the headline over the last couple of years, there has definitely been a normalization of expectations from buyers and sellers. Of course, it takes two to get a deal done. And the deal market was probably as active and robust in 2021. Deal volume for healthcare was at all-time highs. I think as COVID played its course, certain companies didn't survive, and the amount of assets that are seeking investment have probably decreased, so the demand for investment is even greater.

2024 is expected to be a very robust season for M&A. There's been pent-up demand as 2023 was a little sluggish, given high-debt interest rates as well as that valuation gap being normalized. So, the investment community that I speak to is expecting to have very strong 2024 deal volumes in healthcare.

As far as sellers being prepared, that has always been a tool to use sell-side advisory, use an investment bank to go to market. We continue to see clients use investment bankers as well as professional services firms to put them in the best position to get the highest value for their business.

ADRIANNE BOYLEN: Operationally, we see a lot of that as well with clients looking at their revenue cycle, looking at their supply chain and how to really optimize that in the best way forward in anticipation of that next deal and how they're looking to grow overall.

LANCE BEDER: That's a great point and a segue to a question that I was thinking about. From our vantage point, we often see founder-owned physician practices which are under-invested in the back office. And that leads to deficiencies in revenue cycle, operations, and

it's driven from a lack of spending enough dollars to enhance the back office, but also the shortage of qualified financial healthcare staff. So, Adrienne, how do you support those physician practice groups to become more sophisticated in their processes and enhance their back office?

ADRIANNE BOYLEN: Lance, you couldn't be more close to the truth than what we're seeing in the marketplace. You know, what we're seeing is a lot of investment hasn't been made in the systems to date. And so they may have disparate systems that they're trying to bridge and bring together. And so they're using data warehouses and what I'll call "low-tech technology" like Alteryx or Power BI to really assimilate the data, have a source of truth. And so we've helped clients with bringing that information together for their revenue accounting. We've also done the same thing where they may have had different billing systems. And you need one tool to be able to work from and direct the efforts of your people to really enhance the back end. And so they're using these other technologies to layer on versus investing in a full -fledged ERP as an example.

LANCE BEDER: Well, thank you for that. that insight, it's profound. Glenn, how does it impact the transaction, knowing that you're going to go into an environment where there is a deficient back office? How does it affect the diligence, and then also how does it lead to the integration process?

GLENN BARENBAUM: It's certainly an informational exercise when buyers are doing diligence on an operation. There's certainly always room for improvement on the revenue cycle. Deficient is relative. If you're a founder-owned physician practice, they might not need the state-of-the-art. But if they're seeking to grow, investments are needed.

So, I think from a diligence perspective, it's key to understand how the revenue cycle is operating, what the financial results are but, day one, how they can incorporate that into their integration plan and really fuel growth.

LANCE BEDER: And Adrienne, when you're helping providers in a combination or a transaction, how do you identify the best between the two parties coming together and making a choice of which system, or which people, which processes to enhance, or to use as the baseline to enhance?

ADRIANNE BOYLEN: Oftentimes, we want the best upgrade—to your point, right? We want to take the best of each organization and we'll look at those processes overall. But at the end of the day, the buyer will have a set plan for what their integration is and how they go about it efficiently and effectively. And the smoother they can go in that process, the quicker they can realize the synergies and get the best out of it, may it be the payer negotiations contracting with suppliers or just streamlining the business and reducing costs from a headcount perspective.

LANCE BEDER: So, speed to execution will drive the best results?

ADRIANNE BOYLEN: Exactly, and also having that plan in place so that you know where you're going from the get-go.

GLENN BARENBAUM: And I think to Adrienne's point, I think the organizations that have playbooks and have some deal reps execute that—and more reps, more execution helps with

speed. Every deal is going to be different, but there's certain milestones and certain things that can be planned for. for and that's the best success for integration.

ADRIANNE BOYLEN: Absolutely.