



## Role of Academic Centers in Anesthesia Group Mergers & Acquisitions

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## Agenda

- Why are Large Groups Growing
- Changes in Private and Academic Practice
- Synergy or Competition



## Disclosures

- CEO of North American Partners in Anesthesiology (NAPA) Providing management services to
  - NAPA Anesthesiology
  - Allied Pediatrics of NY
  - Gastroenterology
- Owner and Partner in:
  - NAPA
  - North American Partners in Pain Management
  - Practice Securities Inc.



## Reference Point

- Clinical:
  - NSLIJ Health System, 15 Hospitals including 4 tertiary institutions, Children’s Hospital, Psychiatric Hospital, Three free standing ASC and multiple Community Hospitals from Suffolk into Manhattan
- Corporate:
  - 63 Hospitals and 150 ASC sites in 9 states
  - Over 1400 practitioners
- Academics:
  - Train over 250 rotating Residents and Medical Students
  - Chairman, newly opened School of Medicine
  - New Anesthesia Residency Programs



- Hospital Economics




### Harsh Reality

BECKER'S Hospital Review

18 Hospitals That Closed in 2013

The hospital market is entering into one of the most turbulent points in decades, and many hospitals have been sold.

Throughout 2013, 18 acute care hospitals closed their doors, and there are more others — such as the University Medical Center in Berkeley, N.Y., St. David's Hospital in Nashville, N.C., the Ohio State Health Care Center in Irving, N.Y., and Hillman (Pitt's) Memorial Hospital, to name a few — that could follow suit in the year.

There are 10 hospitals that closed in 2013, beginning with the most recent date. The following list only includes acute care hospitals. But these companies still don't, not those that have closed individual services, units or departments.

Florida's (U.S.) Memorial Hospital, a 200-bed primary care hospital, closed in late December without allowing time to file for...

San Regional Medical Center, a 100-bed hospital in Fremont, Calif., closed Oct. 1, partly due to Medicare reimbursement cuts, under the Patient Protection and Affordable Care Act.



## Organic Growth Formula

- Hospital Financial Pressure
- Plus Hospital Corporate Shift
- Plus Anesthesia Subsidy
- Equals
- RFP





## Anesthesia Investment Thesis

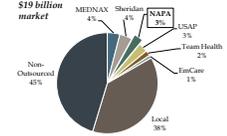
- Growing sector of health care
  - Outsourced anesthesia over \$19 Billion annually
  - Surgical volume projection increases of ~20% annually
  - Shortages of anesthesiologists & CRNAs will increase demand
- Macro factors favor larger anesthesia groups
  - Economies of scale – Can bigger be better?
  - Synergy



- Current anesthesia market is highly fragmented
  - Approximately 17% of market consolidated with strategic investors
  - Majority of “Local Group” fragment comprised of practices of fewer than 100 providers

**Highly Fragmented Anesthesia Market**

\$19 billion market



Source: Public filings, management estimates



## Why are Anesthesiologists Seeking Acquisition

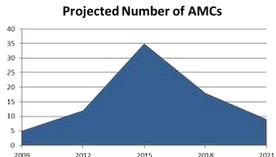
- Profit
- Security
- Economies of Scale



## The Consolidation of the Specialty

- Anesthesia Management Companies
  - Anticipate a sharp growth over next 2-3 years
  - Aggregation of platforms in 7-8 years
  - Market matured in 9 years

**Projected Number of AMCs**





### Financial Pressures all Around

- Teaching time at Medical School not reimbursed
- Decreased support for research
- Migration to Clinical Only tracts
- Shift to Care team model
- Constrained Faculty Positions



### Academic and Private Anesthesia Practice Chasm



### Texas Tech loses \$11.2 million contract for anesthesia services to outside firm

Posted: 02/19/2014 09:58:10 PM MST [ElPasoTimes.com](#)

**REPORTER**  
Diana Washington Valdez

University Medical Center of El Paso was criticized for recently awarding its \$11.2 million anesthesia services contract to a private firm in New York, which will lead to the closing of the anesthesiology department at Texas Tech University Health Sciences Center.



### Fraternal Twins



### What is Society Asking of Anesthesia

- High Quality Care
  - Best Practices supported by Data
- Lower Cost
- Customer Service



### Examples of Collaboration

- Developing an AIMS
  - Large Anesthesia Groups bring
    - Capital with simple decision tree
    - Large Testing and install base
    - BD team for sales
  - Academics bring
    - Access to IT infrastructure
    - Research, for example on Decision Support

### Examples of Collaboration

- Managing private practices acquired by Academic Centers
- Organic Growth using Academic center as a hub
- Educational and Research Collaboration

### Academic and Private Anesthesia Practice Chasm



### Thank you