

What Endoscopy Center (EC) Physician Owners Should Do Before Selling Their Center to a Hospital

BY JONATHAN C. VICK

1. Examine your goals: the sale of a majority interest to a hospital means that you are selling control to an organization that has a much different culture than yours and will most likely manage your EC much differently than you have. While the hospital may pay a competitive price and provide access to some hospital contracts that are better than yours, are you willing to potentially forego your original goals: efficiency, economics, patient and physician satisfaction? Ask some questions and look at data: How have other facilities that have partnered with the hospital fared over the long haul? Are the patients and physicians happy, did distributions increase; did the doctors retain control over critical decisions?



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2. Determine growth opportunities for your center before soliciting purchase proposals: Almost every EC can increase its salability prior to soliciting purchase proposals by identifying new doctors who can be recruited to the center and new procedures that can be performed at the center. If you can recruit new physicians to the center, this will almost always increase the value of the center as soon as they start to perform procedures, but just identifying who those physicians are will make your center more attractive to the buyers. It is also important to con-

centrate on attracting in-network business as out-of-network business is being significantly (50% or more) discounted.

3. Decide what you want to sell, and who will sell their shares: Sell a minority or majority interest? Despite what they say, you do not have to sell a majority interest to a hospital. Many deals have been done where the hospital buys a minority interest, sometimes as low as ten – twenty percent. You also do not all have to sell the same number of shares. Many deals are done with the older physicians selling more shares and the younger physicians fewer shares.

4. Solicit competitive offers: The best way to know the market value of your center is to obtain competitive purchase proposals from several potential buyers. These include competing hospitals and leading ASC management companies. There are several consultants that specialize in soliciting competitive purchase proposals for ECs from hospitals and ASC management companies. Having one of these consultants assist you will streamline the process as they know which companies are paying the best prices, have the capital to do attractive deals, and can help increase the purchase price through a competitive bidding process. Obtaining 2-3 competitive purchase proposals will tell you what the market value of your center is and give you ammunition for negotiating price and terms with the hospital.

5. Consider a 3-way deal — Physicians/hospital/ASC management company: Many deals are being done today with an ASC management company buying an interest first and then selling an interest to the hospital. This model is growing in popularity because it provides the best value for a center and preserves the physicians' original goals: control, efficiency, economy, and patient and physician satisfaction. The ASC management company will normally pay a higher price than the hospital is willing to pay and manages the center the way you want it managed. And the management company has a vested interest in seeing distributions continue to increase as the hospital provides access to better contracts. The best of both worlds!

Jonathan C. Vick, the founder and President of ASCs Inc., has assisted in development, merger, and acquisition transactions for over 200 physician-owned ambulatory surgery (ASCs), endoscopy centers (ECs) and surgical hospitals since 1984. He founded and was a principle shareholder of SurgiCenter Development Corporation (90 ASCs) in 1984 and Endoscopy Center Affiliates (20 Endoscopy Center Partnerships) in 1994. He participated as a corporate partner for a national network of surgery and endoscopy centers that was acquired by a national ASC management company in 1995. Mr. Vick has a B.A. from Hamilton College, a LL.B. from La Salle University, and is a licensed broker. He has extensive experience in ASC and EC sales, development, business planning, operations, valuations, and mergers and acquisitions. He can be reached at 760-751-0250 or at e-mail: jonvick2@aol.com. More information can be obtained at website: www.ascs-inc.com.