2015 AMGA Pre-Conference Session

Mergers and Acquisitions

Merger or Acquisition: Bootcamp
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Goals for the day…….

• Improved understanding of what is working and why
• Sharing of Members experiences/learnings
• Opportunity for you to interact with/question the Members
• Improved understanding of legal issues impacting mergers

Learn what merger/acquisition approaches have – and have not – worked.
Faculty....

Cris Noah – CEO Oregon Medical Group
Cris is the Chief Executive Officer of Oregon Medical Group, a primary care based, multi-specialty group with more than 100 physicians and 13 neighborhood clinics throughout the Eugene and Springfield areas.

Cris has a BA in Business Administration form the University of Oregon with an emphasis in Accounting and Marketing. She also attended Oregon State University and the University of Massachusetts, Amherst. She has 20 years of healthcare management experience in insurance, physician, IPA, and hospital settings. Chris has been with Oregon Medical Group since 2004

Mark DeRubeis – CEO Premier Medical Associates
Mark is the Chief Executive Officer of Premier Medical Associates, the largest multi-specialty practice in the greater Pittsburgh area. Premier Medical Associates has a team of 100 healthcare providers in 10 locations offering 22 specialties.

Prior to becoming CEO in 2004, Mark was the Director of Operations for Alliance Ventures, Inc. a subsidiary of Highmark and previous owner of Premier. He was the Executive Director of St. Francis Physicians Incorporated and Vice President of Private practice for Daniel Stern and Associates. Mark holds a BA and MBA from Duquesne University.
Carl Couch, MD – President, Baylor Scott & White Quality Alliance

Dr. Couch serves as the President of Baylor Scott & White Quality Alliance, a developing clinically integrated organization of employed and independent physicians, hospitals, and other providers of care whose mission is to improve quality and reduce overall costs of care for the patients and communities served by Baylor Health Care System.

Dr. Couch is a board-certified family physician and AOA graduate of the University of Florida medical school. He completed his clinical training at Parkland hospital and holds a Masters in medical Management from Tulane University.

Joe Wolfe, Esq.- Hall, Render, Killian, Heath & Lyman, P.C.

Mr. Wolfe assists hospitals and health care providers with planning and implementing compliance-focused physician alignment and compensation strategies. He is experienced in structuring, negotiating and auditing many types of hospital-physician arrangements and transactions (e.g., physician practice acquisitions, affiliations and joint-ventures, physician employment, personal service and recruitment arrangements, etc.).

Before attending law school at the University of Wisconsin, he served as a combat engineer in the United States Army.
Fred Horton – VP and Principal AMGA Consulting
Fred is a dynamic healthcare advisor who possesses industry experience, market insight, and the ability to create tangible results on behalf of his clients. He has over 20 years of experience working inside the healthcare industry. Fred’s qualifications include physician/hospital governance modeling, alignment strategies, operational improvement plans, turnaround and startup managements and physician compensation plan development.

Fred is a Certified Medical Practice Executive and holds a BA in Healthcare Administration from Augustana and a Master of Healthcare Administration from the University of Minnesota.

Thomas Holets – Principal, AMGA Consulting
Tom has over 30 years of experience leading a variety of healthcare and related businesses. He has experiences ranging from start-ups to mergers and acquisitions to business turnarounds and market-leading organizational transformations.

Tom holds Masters degrees from the College of Medicine at the University of Iowa and from the University of Minnesota. He holds an Advanced Management Certification from the Wharton School at the University of Pennsylvania. He is a Paul Harris Fellow and a Fellow of the American College of Medical Practice Executives.
What’s the difference......?

• Merger.....
  – Combining two or more companies to form a **new company**

• Acquisition...
  – The purchase of one company by another

• Subtlety or meaningful distinction?
MERGER

TAKEOVER
High-Performing Health System

Organized System of Care
- Continuum of care provided for populations
- Integrated or has partnerships
- Physicians as principal leaders of medical care
- Shared responsibility for non-clinical activities

Efficient Provision of Services
- Manage per capita cost of care
- Improve patient care experience
- Improve health of populations

Quality Measurement & Improvement Activities
- Preventive care & chronic disease management
- Patient outreach programs
- Continuous learning & benchmarking
- Research to validate clinical processes & outcomes
- External & transparent internal reporting
- Patient experience surveys

High-Performing Health System

Care Coordination
- Team-based approach with team members working at the top of their field
- Single plan of care across settings & providers
- Shared decision making

Compensation Practices
- Incentivize improved health & outcomes of populations
- Affiliates with patient experience or quality metrics

Use of IT & Evidence-Based Medicine
- Meaningfully use IT, scientific evidence, & comparative analytics
- Aid in clinical decision making
- Improve patient safety
- Aid in the prescribing of Rx

Accountability
- Shared financial & regulatory responsibility & accountability for efficient provision of services
Critical Success Factors...

• Everyone has their own version

• **Our version.....**
  – Clear and understandable **business case** as to “why” this is occurring
  – Clear business **models/structures/tools** to operate and support merged organization
  – **Commitment and ability to manage to a desired culture**
  – Find/Implement **synergies** quickly
Does culture matter?

• Every organization has its own culture – the set of norms, values and assumptions that govern how people act, how they are expected to act, and how they interact every day.

• Usually acquirer wants to maintain its own culture. Occasionally, it makes the acquisition in hopes of infusing the target company’s culture into its own.

• Whatever the goal, commit to the culture you expect to achieve from the coming together of your organizations.
  – Talk about it
  – Build structure to support it
  – Put it into practice
How Important?........
Mergers FAIL as a result of Culture ... the headlines

$6.4B Henry Ford, Beaumont Merger Failed on Cultural Hurdles (August 2013)

Case Study of a Failed Merger of Hospital Systems
What went wrong between Penn State and Geisinger, and what lessons should be learned?

Tackling the Challenge of Blending Cultures During Mergers and Acquisitions
Our View.....

• Hospitals and physicians that are contemplating a merger, or are involved in an acquisition, should undertake a prescribed process to manage natural cultural differences between the parties.

• It is NOT necessary to have ONE culture to work together, but it is necessary to actively manage significant differences in culture and to create processes that will – eventually -- lead to a new, similar understanding about what the organization values, how decisions are made, and how the organization will conduct its business.
Key Points/Steps of Cultural Integration...

- **Involvement** and Engagement is key.
- **Shared Vision** of what this will become is necessary.
- Analysis of current **reality vs. desired** vision is extremely important.
- Timeline and performance plans must connect to critical changes.
- Requires discussion with leadership teams to understand each party’s views and approaches and how they measure their activities and results.
- Focus should be placed upon the positive each brings and identification of the biggest differences – especially those that impact physician, employee, and patient retention.
- You must build the structural framework for supporting the desired culture.
- Communication of expectations must occur—actively, constantly:
  - Why “we” are doing this
  - What “we” are trying to accomplish
Our Member’s Stories
Order of Presentations

• Legal Perspective
• Oregon Medical Group
• Premier Medical Associates
• Baylor Scott & White Quality Alliance
2015 Survey

We invite you to participate in AMGA’s 2015 Medical Group Compensation Survey.

- 28th year of survey
- Survey Includes:
  - Individual compensation and production data of experienced physicians in all major specialties
  - Individual compensation and production data on other healthcare providers, including nurse practitioners and physician assistants
  - Starting salaries of new residents and experienced new hires
  - Provider compensation organizational profiles, including methods of pay for both physicians and other healthcare providers
2015 Survey

Submitting your data is FREE and easy!

You will receive a complimentary copy of the final publication and a customized report comparing your data to the survey population.

Additionally, participants will have the option to purchase at a nominal charge peer reports based on organizations of similar size, by geographic region, or by organizational structure.

We urge you to include your data in this year’s survey to make sure your group is represented and to receive your complimentary copy of the printed publication and customized report.
2015 Survey

To Participate

• Download the 2015 Survey Instructions.
• Download the 2015 Survey Methodology.
• Download and complete the 2015 Survey Input Tool.
• Submit your data. Completed questionnaires are to be e-mailed directly to adobosenski@amgaconsulting.com.

Please complete and submit your data by Friday, April 24.

Questions

• Please direct all data specific questions to Aaron Dobosenski at adobosenski@amgaconsulting.com.
• Please direct questions about eligibility, trouble accessing the files, and all other issues please contact Christopher Gibbs at (703) 838-0033, ext. 362 or c gibbs@amga.org.