THE EVOLVING LANDSCAPE OF PRIVATE EQUITY IN OPHTHALMOLOGY

Over the past decade, the consolidation of medicine by business entities has become increasingly commonplace. Hospital-based systems and insurance companies have rapidly absorbed our colleagues in primary care specialties and other hospital-based subspecialties. In recent years, many outpatient surgical subspecialties with physician-owned ambulatory surgery centers and privately owned practices have partnered with or sold to private sector companies backed by private equity (PE) funding. In ophthalmology, we have seen a similar escalating process with rapid consolidation, but a relatively small number of practices have chosen to go in this direction with regard to PE. I recently went through the process in our practice and have watched colleagues and friends evaluate it as well. It is increasingly obvious how complicated and challenging it is to navigate the intricacies of these large corporations and ultimately make such a profound decision.

The process of selecting a PE firm is arduous. It is similar to hiring a new partner or selecting which practice you will work in—but on a much larger scale. Finding the right PE partner is about fit, culture, leadership, and the trust that develops throughout the negotiation process. With priorities in place and diligence and transparency from both parties, this union can lead to a successful long-term model and exponential business growth. There are countless factors to consider. I believe two considerations are most important when selecting the right PE firm to partner with.

First, look for a PE company that understands the value of your practice—the relationships established with patients and the surrounding community and the reputation and skillsets of the employed surgeons. In my experience, a good PE firm will not disrupt a successful practice's structure after the acquisition. The firm is investing in the processes that have long been established and the revenue streams that are already in place and working well. After the acquisition, intelligent and forward-thinking leaders will want to empower the physicians to maintain autonomy. The primary goal of the acquiring entity should be to provide growth capital, business economies of scale, and succession planning with sustainability.

Second, make sure the PE firm is willing to provide the infrastructure and administrative resources that your practice needs to maximize workflow and facilitate cost savings. This includes optimizing human resources, navigating health insurance benefits, purchasing materials and equipment for the practice, and negotiating with insurance contractors for better reimbursement rates without disrupting the workflow of the providers and staff.

Unique practice models are emerging under the PE umbrella as well. For example, a fellow I have worked with wants to start a practice near her family. Rather than take out millions of dollars in bank loans, she opted to work with a PE firm to finance the startup process. This young surgeon with little capital can now start her own practice and control her environment. The partnership, however, is not without risk. She will be an employee rather than the owner of the private practice.

Innovative PE models create obtainable buy-in opportunities for both young and seasoned physicians that allow them to reap the benefits of the entity's short- and long-term financial successes, enabling them to have a genuine ownership interest.

I foresee more evolution in the PE space, including the incorporation of novel practice models that allow surgeons to remain autonomous and continue to reap the financial benefits despite being under a larger organization.

PE may not make sense for you right now, but having a deeper and clearer understanding of the buy-in process, being aware of the pros and cons, and keeping abreast of developments can help you make good decisions if and when the time is right.

Some individuals consider PE taboo, but I believe it is a better business model than being acquired by a hospital or insurance company. In these situations, the physicians ultimately lose decision-making power, and priority shifts toward the bottom line. As PE models evolve, I'm hopeful we can find a way to remain patient-centered and benefit from the efficiencies and professional growth that come with consolidation. ■

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