

Alternative Health System Cardiology Relationships

Dynamic Environment Leading to Structural Changes in Physician Alignment

The vast majority of cardiologists (80%+) are in integrated employment or PSA relationships with health systems. No matter the structural model, cardiologists and hospitals will always have an affinity together, however, there are several drivers that can contribute to a reduced functional need for a health system to employ a cardiologist. Some factors include:

- Loss per doctor in the professional cardiovascular space
- Loss of Hospital Outpatient Department (HOPD) reimbursement premium
- Case migration to an ambulatory surgery center setting
- Physician desire for entrepreneurialism
- Private equity interest

VMG Health has conceptualized an alternative operating model including several characteristics for this space.

Modeled Cardiology Operating Comparison (\$)

Scenario	Physician Employment or PSA	Independent Cardiology	Physician Employment w/ Loss of HOPD Premium & ASC Expansion	"Aligned" Independent Cardiology
Health System Enterprise Return	\$\$\$\$\$	\$	\$\$\$	\$\$\$\$
Characteristics	<ul style="list-style-type: none"> • Maintain employment • Retain arbitrage on imaging and ASC eligible cases 	<ul style="list-style-type: none"> • Acute cardiology at hospital • Loss of imaging and ASC cases with no health system involvement 	<ul style="list-style-type: none"> • Maintain employment • loss of arbitrage on imaging and migration to ASC 	<ul style="list-style-type: none"> • Health system alignment through: <ul style="list-style-type: none"> ◦ Practice MSO ◦ JV ASC (new growth) • Opportunity for use of third party capital

Strategic Areas of Focus

- **Various practice capitalization options** as they leave health system employment and become independent (earnings before physician compensation split, share of incremental synergies, equity returns in MSO).
- **Business planning options** (ancillary development, productivity growth, care model and APP adoption).
- **Cardiovascular ASC** (physicians, private equity and health system capitalization table, volume migration from HOPD, return and benchmark comparisons).
- **Use of third party capital.**

VMG Health's Service Line Offerings

VMG Health's team of dedicated strategic advisory and transaction services professionals can provide solutions and guidance to health systems, cardiology practices, and private equity platforms seeking alternative cardiology relationships.

- Strategic Advisory Services
- Compensation Development
- Business Valuation
- Transaction Advisory Services
- Financial Due Diligence

Contact the Experts



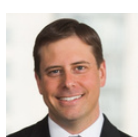
Cordell J. Mack
Managing Director
Strategy & Advisory
cordell.mack@vmghealth.com



Wayne Pryor, CPA
Managing Director
Financial Due Diligence
wayne.pryor@vmghealth.com



Clinton Flume, CVA
Managing Director
Valuation & Transaction Advisory
clinton.flume@vmghealth.com



Colin McDermott, CFA, CPA/ABV
Managing Director
Valuation & Transaction Advisory
colin.mcdermott@vmghealth.com

About VMG Health

VMG Health is a leading, national, full-service healthcare strategy and transaction advisory firm providing solutions exclusively for the healthcare industry with a long-standing reputation of excellence in client service. Our services span transaction due diligence to coding guidance to physician alignment and cover all healthcare sectors. Whether you need assistance with traditional transactions or emerging physician compensation models based on value and performance, VMG Health provides the expertise you can rely upon.