

Case Study

Assessing Fair Market Value of Clinically Integrated Networks for Joint Venture Integration

Two health systems (“Clients”) sought fair market value (FMV) opinions of their respective clinically integrated networks (CINs) for contribution to a larger joint venture between the parties. The clients aimed to integrate across both markets to access a wide range of patient populations, physicians, clinics, and hospitals, as well as share in the strengths of each parties’ contribution.

Situation

CINs are collaborative networks of healthcare providers, including hospitals, physicians, specialists, and other healthcare professionals, working together to improve patient care quality, efficiency, and coordination. As part of a value-based care strategy, CINs can offer many benefits, such as reducing overall healthcare costs, lowering insurance premiums, and providing an increased quality of care to the patient population while delivering shared savings back to providers. CINs can be complex entities with unique revenue streams and earnings opportunities. Additionally, significant investment may be required to bring CINs to full maturity across several years. The parties needed an accurate measure of each CIN’s contribution value to the larger joint venture.

Services Provided

Fair Market Value Analysis

Does your organization have a valuation, strategy, or compliance need? Reach out today for a complimentary assessment from a VMG Health expert.

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Solution

The Clients engaged VMG Health to determine the contribution value that each CIN would bring to a potential partnership. To achieve an effective integration between entities, VMG Health compiled analytical projections and scenarios that advised the Clients on differences between each CIN’s relative revenues and earnings opportunities, life stage, service offerings, payment models of shared savings back to the providers, and opportunities for growth and collaboration given the dynamics of the target market.

After considering the potential opportunities the CINs had on an individual basis absent a potential partnership, VMG Health completed independent valuations focusing on business enterprise value and the contribution value each entity would bring to a partnership.

Success

The Clients agreed to combine their respective CINs into one entity by forming a joint venture (JV). The JV allowed each health system to access a larger platform that supports growth and investment in the region, promoted full economic alignment between providers and the CIN, and delivered quality focused, value-based care to each health system’s patient population.

Client Results

92%

Client Satisfaction
Rating

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. 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.

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