

Q4-2017 Physician Services Update



Market Overview

Private equity investors and strategic entities alike were busy consolidating the fragmented healthcare sector in the last three months of 2017. Uncertainty surrounding MACRA combined with the benefits from economies of scale have continued to incentivize healthcare organizations to align with other entities. Physician practices have increasingly been leveraging the capital resources and industry experience of private equity and strategic partnerships to refine internal infrastructure, open clinics in new locations, and acquire other practices.

As investors look to replicate the success of their previous investments in physician services, they now turn to new sectors of the healthcare industry. M&A activity in the fourth quarter of 2017 is indicative of growing interest in specialties such as gastroenterology, orthopedics, urology, and women's health. In 2018, Provident expects deal flow to ramp up in these emerging sectors while robust acquisition activity persists in other specialties.

Provident Transaction Announcement



An undisclosed ASC management company has acquired a minority interest in the Orthopedic Surgery Center of Palm Beach County, Inc. ("OSCPBC"). The 9,000ft² facility houses three operating rooms and 12 recovery rooms. The surgery center's 15 physicians specialize in orthopedic surgery, pediatric orthopedic surgery, and hand and microvascular surgery. Provident Healthcare Partners served as the exclusive financial advisor to the shareholders of OSCPBC.

Notable Market Transaction



Optum, the physician services division of UnitedHealth Group (NYSE: UNH), has entered into an agreement to acquire DaVita Medical Group, a subsidiary of DaVita Inc. (NYSE: DVA). The combination of Optum's clinical expertise with DaVita Medical Group's physicians will deliver higher quality of care more effectively to the patients they serve. Provident expects this transaction to serve as a catalyst for more M&A activity in the physician services sector in 2018.

SELECT TRANSACTIONS:

Date	Buyer	Target	Details
Gastroenterology			
October 2017	Gastro Health	Digestive Center of the Palm Beaches	Gastro Health, a portfolio company of Audax Group, acquired the practice of Digestive Center of the Palm Beaches. Digestive Center of the Palm Beaches is comprised of four physicians and will become Gastro Health's 29th location. Through this acquisition, Gastro Health will strengthen its presence within the Palm Beach County marketplace.
Multispecialty and Primary Care			
December 2017	Optum, Inc.	DaVita Medical Group	Optum, Inc., a leading health services company and subsidiary of UnitedHealth Group (NYSE: UNH), has entered into an agreement to acquire DaVita Medical Group, a subsidiary of DaVita Inc. (NYSE: DVA), for approximately \$4.9 billion in cash.
December 2017	Healthcare Associates of Texas	Mihills Webb Medical	Healthcare Associates of Texas ("HCAT") has acquired Mihills Webb Medical, a two-physician primary care practice group in Texas. This transaction is HCAT's second such acquisition in Texas in the last six months, following the September acquisition of Kaner Medical Group, a five-physician primary care group.

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Orthopedics			
December 2017	Undisclosed ASC Management Company	Orthopedic Surgery Center of Palm Beach County*	A leading ASC management company has acquired a minority interest in the Orthopedic Surgery Center of Palm Beach County, Inc. ("OSCPBC"). The 15 physicians at OSCPBC will leverage the new partnership to continue providing the highest level of orthopedic care in the county.
November 2017	Varsity Healthcare Partners	The Orthopaedic Institute	Varsity Healthcare Partners, a healthcare services-focused private equity firm, closed a recapitalization and growth capital partnership with The Orthopaedic Institute. Based in Florida, The Orthopaedic Institute is among the state's largest providers of clinical and surgical orthopaedic treatment and ancillary patient care services with 33 physicians.
November 2017	Geisinger Health System	Professional Orthopaedic Associates	Geisinger Health System, a fully-integrated health system in Pennsylvania, acquired Professional Orthopaedic Associates ("POA"). POA is Scranton's longest-standing and most established orthopedic practice, offering services through its five physicians and 52 employees.
October 2017	Surgical Care Affiliates	Surgery Center of Midlands Orthopaedics	Surgical Care Affiliates, Inc. has invested in Columbia, S.C.-based Midlands Orthopaedics Surgery Center. At Midlands, surgeons offer total and partial knee replacement, total hip replacement and hip resurfacing, total shoulder replacement, and spinal fusion and disc replacement.
Pain Management			
October 2017	Kure Pain Management	Smart Pain Management	Kure Pain Management, a portfolio company of New Harbor Capital, has acquired Smart Pain Management ("Smart Pain"). Smart Pain provides care at eight locations with 14 doctors across the state of Maryland. This transaction is Kure's first publicly announced add-on acquisition since 2016.
Radiology			
November 2017	Radiology Partners	Specialists in Medical Imaging	Radiology Partners, Inc. ("RP") acquired Specialists in Medical Imaging, a provider of radiology services in Illinois. With the acquisition, RP now serves approximately 450 hospitals, clinics, and imaging centers across the country.
October 2017	MEDNAX	Synergy Radiology Associates	MEDNAX announced the acquisition of Houston, Texas-based Synergy Radiology Associates. Comprised of more than 90 radiologists offering professional radiology services at over 160 sites, Synergy Radiology Associates is the largest radiology group in Houston and represents MEDNAX's first radiology acquisition in the state.
Urology			
October 2017	MEDNAX	Palm Beach Pediatric Urology	MEDNAX has acquired Palm Beach Pediatric Urology. Established in 2000, the practice consults for all pediatric and fetal genitourinary disorders. The Company has five patient offices and provides services to seven regional hospitals.
Women's Health			
October 2017	Prelude Fertility	Vivere	Prelude Fertility, backed by Lee Equity Partners, acquired Vivere Health and its flagship partner, the Houston Fertility Institute. Based in Franklin, Tennessee, Vivere Health owns and operates ambulatory surgery centers and in-vitro fertilization facilities.
October 2017	Lindsay Goldberg	Women's Care Florida	Private equity firm Lindsay Goldberg acquired Women's Care Florida. Headquartered in Tampa, Women's Care Florida offers patient care services in obstetrics, gynecology, breast surgery, and other services. It is the seventh-largest physician practice in the Bay area, with 155 local physicians and 56 local offices.

*Denotes a transaction on which Provident Healthcare Partners served as the exclusive sell-side financial advisor