

Medical Group Financial Sustainability Plan



Goal:

Ancore Health's client is a real estate private equity firm (REPE) who was acquiring Mountain Medical Group (MMG).

Goal: To provide a thorough understanding of MMG's current operational and revenue cycle performance, potential for improvement, and short and long term financial viability.

Timeline: 30 days.

Client: Mountain Medical Group*

Region: Western
Affiliation: Independent
of Locations: 4
of Specialties: 12
of Providers: 30+ MDs, 10+ APPs,
Majority are Primary Care

Note: Mountain Medical Group is a pseudonym.

Challenges:

- **Lack of standardized data elements and reporting** across the organization
- **Limited ancillary services**
- **Significant** number of **provider transitions**
- **Loss of ~\$200K** per physician per year

Results:

- **Identified ~\$2.9M of financial opportunities** in revenue cycle, finance, & productivity
- **Leveraged steady-state & post-transaction financials** in acquisition negotiations
- **Provided a data strategy plan** including comprehensive KPI reporting
- **Mapped path to breakeven** through operational improvements and quality initiatives

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Assessment

- Finance
- Revenue Cycle
- Clinical Productivity
- Physician Compensation

2

Financial Projections

- Five-Year Pro forma
- Monthly Cashflow with Projected Operational Improvements

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Recommendations

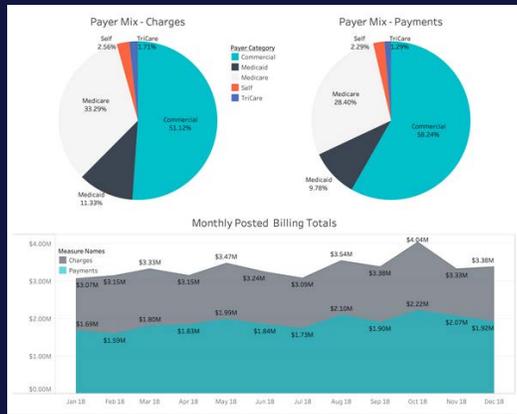
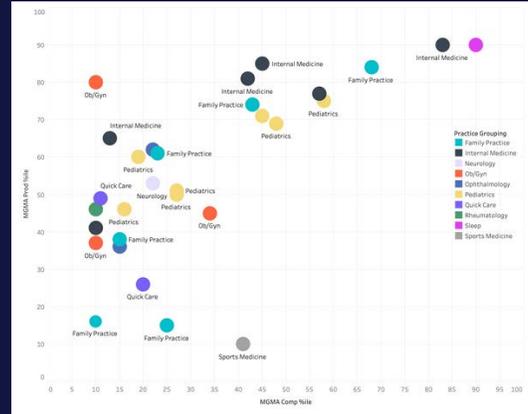
- Path to Breakeven
- Prioritized List of Opportunities

Medical Group Financial Sustainability Plan Process

Ancore Health conducted an assessment of MMG and provided REPE with an understanding of MMG's current state along with defined next steps to achieve best practice revenue cycle, financial, and clinical productivity. This process included a review of two years of billing, productivity, staffing, and financial data.

Medical Group Assessment

To analyze MMG's current state, Ancore Health created a steady-state understanding of the group by analyzing financial, billing, and staffing data. By pulling this data from the source systems, Ancore Health was able to calculate wRVUs that were adjusted for modifiers. Ancore Health was also able to benchmark professional collections, compensation, and productivity against industry best practice, by provider. Additionally, Ancore Health reconciled and accounted for the one-time expense, ramped up new providers, and removed providers who left during the base year to allow for a steady-state comparison to industry benchmarks.



Modeling Future State

Ancore Health developed a five-year pro forma based on the steady-state P&L (noted above) and net of new investments and financial opportunities identified during the assessment phase. Ancore Health then layered on service line expansions and additional ancillary services to quantify the five-year return on investment.

Recommendations and Targets

Ancore Health was able to lay out a clear and tactical path for MMG to breakeven within 12 months post-transaction by validating, testing, and refining recommendations.

To ensure Ancore Health's assessment and recommendations were reasonable, achievable, and trackable, Ancore Health worked with local leadership, held onsite interviews, reviewed current policies, procedures, and organizational structures to inform the nuances in the data.

CONSOLIDATED INCOME STATEMENT	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
FFS Collections	\$ 24,014,178	\$ 26,661,582	\$ 27,994,661	\$ 28,834,500	\$ 29,999,535
VBC	1,238,807	1,325,523	1,391,799	1,433,553	1,476,560
Ancillary	1,199,802	1,283,788	1,347,978	1,388,417	1,430,070
Other Revenue	76,611	421,268	421,268	421,268	421,268
Net Revenue	\$ 26,529,398	\$ 29,692,161	\$ 31,155,705	\$ 32,077,738	\$ 33,027,433
General Operating Expense					
Clinical Staffing Cost	\$ 6,950,659	\$ 6,708,447	\$ 6,809,074	\$ 6,945,255	\$ 7,153,613
Occupancy	2,427,409	2,439,546	2,476,140	2,525,662	2,501,432
Supplies & Equipment	2,841,144	3,179,857	3,336,595	3,435,339	3,537,046
Professional Services	1,081,404	1,113,846	1,147,262	1,181,680	1,217,130
Malpractice	152,820	157,404	162,127	166,990	172,000
Other Expense	308,955	318,224	327,771	337,604	347,732
Central Support Services	3,033,971	3,049,141	3,094,878	3,156,776	3,251,479
Total General Operating Expense	\$ 16,796,363	\$ 16,966,467	\$ 17,353,845	\$ 17,749,306	\$ 18,280,432
Provider Compensation					
Salary	\$ 9,783,079	\$ 10,360,966	\$ 10,671,795	\$ 10,991,949	\$ 11,321,707
Benefits	\$ 2,045,402	\$ 2,076,083	\$ 2,107,224	\$ 2,138,832	\$ 2,170,915
Total Provider Compensation	\$ 11,828,480	\$ 12,437,048	\$ 12,779,019	\$ 13,130,781	\$ 13,492,622
Total Operating Expense	\$ 28,624,843	\$ 29,403,515	\$ 30,132,864	\$ 30,880,087	\$ 31,773,054
Final Year of Hospital Subsidy	1,287,283	-	-	-	-
EBITDA	\$ (808,162)	\$ 288,645	\$ 1,022,841	\$ 1,197,651	\$ 1,254,379
Gross New Ancillary Margin	\$ 639,000	\$ 852,000	\$ 1,065,000	\$ 1,065,000	\$ 1,065,000
Net Income	\$ (169,162)	\$ 1,140,645	\$ 2,087,841	\$ 2,262,651	\$ 2,319,379

