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Introduction

We became interested in private equity (PE) because of changes we noticed in different parts of the country. Our clients started talking about it. We noticed PE-backed companies exhibiting at conferences to recruit doctors. Investors started knocking on doors of gastroenterologists. Then we saw two major back-to-back announcements towards the end of 2018.

Putting ourselves in the shoes of gastroenterologists, we began asking what's the right approach here? Our research and conversations led us to discover that there's no simple or right answer to that question. There are many views - even diametrically opposite ones. What may be right for one doctor or group may not be right for another.

Regardless of where we go as an industry, some changes are clearly on the horizon. As with dermatology or ophthalmology, GI will see many PE-backed deals over the next 5-7 years. We will also see many groups staying fiercely independent. There will be others who will merge on their own and get bigger. In general, we will see changing market dynamics and increased competitive pressure.

It's also important to appreciate certain unavoidable truths. GI reimbursements are unlikely to rise. Costs are going to keep increasing. Regulatory mandates will continue to be complicated. And technological changes will be unrelenting.

Concerns of doctors with PE are all too clear. Loss of autonomy, compromising on patient care at the cost of material gains, financial pressure to perform and the big fear of losing it all if a PE-backed deal goes under. Some even compared the present trends to physician practice management (PPM) companies of the 1990s that raised billions of dollars but mostly failed.

What also became apparent is the urgent need for physician alignment and leadership in gastroenterology. Practices that don't disrupt themselves and get their act together will be swept away by these winds of change.

Whether they recognize it or not, private equity companies shoulder a huge responsibility. Unlike other industries, medicine is different. It's just not about financial gain. People's lives are at stake. Sometimes in the form of our own friends and families. And unlike other times, public sentiment towards Wall Street is skeptical. Failures of PE backed companies with questionable ethics will not go down quietly. If we have courage, patience and the right intent, the future of healthcare can indeed be better with right partnerships.

The best way to prepare for industry changes is to understand them first. This ebook is the synthesis of interviews with various types of GI leaders, conversations with PE funds, investment banks and CEOs of PE funded companies spanning several months. Along with research, these interviews will help you connect the dots and make sense of what's underway.

You will understand how PE works, their vocabulary, what they look for, methods to improve your valuation, and questions to ask when someone approaches you. You'll learn from interviews where I've asked similar questions to different people to elicit a variety of responses. Regardless of whether you wish to stay independent or explore PE, this ebook deals with issues you need to know today.

We embarked on this exercise to help our clients and the larger GI community cut through the noise (and hearsay) and equip them with the right tools and questions. So that each GI practice can rationally arrive at answers that are right for them.