



Q&A with Mark Cherney

CEO of U.S. Urology Partners

What market pressures make partnership attractive for urology practices?

It's clear that hospital consolidation and a shortage of urologists have made hospitals focused on acquiring urology practices. However, once acquired by a hospital, physicians are hospital employees with little independence or ability to profit from their performance and productivity. Their contract can also be terminated at any time.

Additionally, decreasing reimbursement, increasing overhead, growing administrative burden and a worsening regulatory environment are straining the resources – and profitability – of many practices. These pressures make it attractive to partner with a group like U.S. Urology Partners, which can help support the business aspects of the practice, freeing urologists' time to focus on meeting the clinical needs of patients.

Why partner with U.S. Urology Partners?

U.S. Urology Partners works with urologists who have achieved success in their communities and want to continue providing exceptional patient care and service while maintaining their clinical independence. This means that physicians maintain clinical control of their practices and referring physician relationships.

Our goal is to partner with growth oriented urology practices and provide management infrastructure and support services. Practices keep the local brand and identity that they have worked so hard to establish – often for decades.

How do practices benefit operationally?

Practices supported by U.S. Urology Partners receive the benefit of our state-of-the-art IT infrastructure. We also provide assistance in revenue cycle management, legal, reimbursement, marketing, financial reporting and other critical operational areas.

U.S. Urology Partners has access to sophisticated market intelligence, so we can help determine how to best support a practice's growth strategy given local market dynamics and demographics, as well as healthcare industry trends.

What are the financial benefits?

Partnering with U.S. Urology Partners creates a partial liquidity event and also provides a practice access to substantial capital for growth and expansion. As a shareholder in U.S. Urology Partners, the practice will benefit from our continued growth and success.

Our financial partner, NMS Capital, is a private investment firm specializing in strategic equity investments. The firm was formed through the spin-out of a group of portfolio companies from the Goldman Sachs Merchant Banking Division. NMS focuses on companies headquartered in the U.S. poised to benefit from sustainable growth trends with particular concentration on companies in Healthcare Services and Specialized Business Services.

We have found the professionals at NMS to be strategic, smart and experienced in understanding and working with specialty physician practice groups. Their knowledge in this area is proving to be a major advantage for our affiliates.

We have physicians close to retirement; how will this help them?

It can cripple a practice when a senior partner leaves and the practice must buy out his or her equity. Partnering with U.S. Urology Partners allows the practice to continue to thrive while the retiring physician is able to receive a cash buyout. Not only can the physician receive immediate liquidity, but they can retain a percentage of the ownership going forward. The physicians may have the opportunity to benefit from a subsequent liquidity event in which they may be able to sell their equity in exchange for a purchase price subject to capital gains treatment.

What about middle-aged and younger physicians?

Physicians in their early or peak earning years also receive a cash payment for their interest in the practice with a reduction in risk and a longer-term benefit as the organization builds equity for all participants. It can be a difficult decision: do you try to go it alone in an environment that has only become more complex and demanding during recent years, or do you join with a trusted partner that allows you to have the best of both worlds – clinical independence combined with financial strength and management support?

Do you have a geographic focus?

Our first partnership has been with Central Ohio Urology Group, the largest urology practice in the region. While we have actively pursued other groups in the Midwest, we are also in discussions with practices nationwide attracted to our unique approach, management expertise and financial strength.

What have been the benefits to Central Ohio Urology Group?

Our partnership with this urology group, which has 16 locations and more than 20 urologists, has been tremendously successful. Since partnering less than two years ago, the practice's revenues have grown close to double digits percent year over year, primarily by placing a renewed emphasis on IT and revenue cycle management, instituting a chronic care management strategy, adding new service lines, revamping marketing and improving contracting. Employee turnover has been reduced by 50%, along with significant success in recruiting urologists and other talented clinicians and healthcare business professionals.

What are the next steps if I'm interested?

First, we ask that you carefully consider the pros and cons of partnering. Our philosophy regarding collaboration, rather than a traditional management structure, is obviously an important consideration. If this approach is appealing, we would be happy to discuss the structure and economics for your specific practice.

