

# DGA PARTNERS

DGA HEALTHCARE  
VALUATION SERVICES

## OPINIONS YOU CAN TRUST



**MEDICAL  
PRACTICE  
VALUATION**

**VALUATION OF  
HEALTHCARE  
BUSINESSES**

**FAIR MARKET  
VALUE AND  
COMMERCIAL  
REASONABLENESS**

**Physician  
compensation**

**Management and  
service agreements**

**Lease arrangements**

*“This valuation needs to convince my physicians—  
and withstand scrutiny from regulators.”*

**W**hen you are acquiring a practice or healthcare business, compensating physicians or contracting with them, what you can offer is constrained by fair market value (FMV) requirements in healthcare regulations. It’s essential that the deal conform to Medicare anti-kickback, IRS and other regulatory requirements. It may be a challenge to persuade physicians that those requirements are controlling the hospital’s offer.

“Fair Market Value” sounds straightforward. Typical physician questions show, however, that FMV calculations can be far from clear-cut:

*“The hospital is tax exempt, but you’re valuing my business as though it’s taxable—and that’s reducing the value!”*

*“Why doesn’t the valuation assume the higher reimbursement rates that the hospital will realize when they buy this business?”*

*“The hospital has better contracts. Why didn’t they factor that in?”*

*“Did they consider the income I could otherwise be earning in my practice, treating patients?”*

DGA Partners Valuation Services provide both the healthcare experience and expertise, and the recognized valuation credentials to provide convincing answers to both physicians and regulators.



#### **DGA EXPERIENCE IN VALUATION INCLUDES:**

- > Over 200 valuations for physician practices
- > Approximately 75 valuations for other healthcare businesses
- > More than 300 compensation benchmarking engagements, including medical directorship fair market value assessments



## “PREVENTIVE” VALUATION

**D**GA Partners valuation services can do more than tell you whether a deal or compensation arrangement meets fair market value requirements. We help you structure defensible deals.

By working through the deal development process with you and your physicians, we help assure that all parties get a fair deal, and that the deal as structured will get a clean opinion.

It’s a preventive approach on many accounts. It prevents you from investing time and money in developing a deal that puts the hospital at risk. It saves the hospital from months of worry about whether the deal will hold up. Regulatory compliance is built into the process, so the opinion on a consummated deal will always be positive. And it preserves trust and respect between hospital and medical staff, which can fray when a carefully negotiated deal doesn’t pass the fair market value test.

When you need a fair market opinion on physician compensation, our early involvement can be preventive in another sense. We can help avoid “unintended consequences” by shaping compensation arrangements to provide incentives for physician behavior while maintaining regulatory compliance.

Of course, if your organization prefers, we can also provide FMV opinions on a stand-alone basis.

## A MULTI-FACETED APPROACH

DGA uses traditional valuation technique application combined with practical valuation measurement. This approach provides clients with both meaningful advice and functional opinions.

We remain abreast of regulatory pronouncements that impact the valuation profession. Our expertise in applying the income approach (the stated preference of the IRS) has been fine-tuned in numerous valuation engagements.

Simply applying income, market and asset approaches to valuation assignments may produce an opinion that ignores practical realities. So we go beyond, “What is it worth?” and beyond discounted cash flow or capitalized excess earnings.

For example, in a physician practice valuation, we look at the intangible assets associated with the practice. We ask questions like, “What would it take for the hypothetical buyer to recoup their investment if they purchased this business at the value determined by traditional approaches? Would a prudent buyer really make an investment of that magnitude?” We look at immediate versus eventual income-producing ability. We reconcile the results of this analysis with the conclusions derived from the more traditional income and market approaches.



## THE HEALTHCARE EXPERIENCE TO GET IT RIGHT

**D**GA's valuation services build upon decades of senior consultant experience in healthcare and particularly in physician-hospital integration.

### DGA PARTNERS:

- > Can interpret practice financial and operational data even where that data is substandard, because we have a deep understanding of healthcare and of physician practice operations.
- > Understands every aspect of payment methodology and makes appropriate revenue adjustments for proposed, pending or recently implemented reimbursement methodology changes.
- > Knows when and how to apply “revenue stream re-pricing” to assure that a valuation reflects what a “willing, knowledgeable, uncompelled buyer” would pay, where the hypothetical buyer’s licensure differs from the seller’s.
- > Has the experience to make sound judgments about a practice or operation based on our site visits and owner interviews. This helps us assess, for example, the integrity of financial and operating data.
- > Has extensive experience in physician compensation benchmarking and in developing departmental directorship and similar agreements. We use multiple compensation surveys that are kept current.
- > Knows how to determine fair market value for blended compensation arrangements (e.g. medical director also receiving on-call coverage compensation), and how to provide the documentation required to support fair and reasonable compensation ranges.
- > Is acutely attuned to the political and interpersonal sensitivities of valuation. Our consultants are adept at handling interactions with accountants and lawyers who represent a practice or business. We regularly handle engagements and related communications under attorney-client privilege.
- > Knows where problems in deals and valuations are likely to be found, and how to handle them. We can also spot issues that might reduce the value of a deal or make it unwise to proceed.





## **CREDENTIALS THAT PROVIDE CONFIDENCE**

To be confident that you are complying with all regulatory requirements, you need a credible report and opinion that is consistent with all professional guidance on valuation. DGA Partners' valuation professionals include individuals who were trained as CPAs, are Accredited Valuation Analysts certified by the National Association of Certified Valuation Analysts (NACVA) or are affiliated with the American Society of Appraisers (ASA).

We adhere strictly to the Uniform Standard of Policy and Procedure for Professional Appraisal Practice and Advisory Opinions as adopted by NACVA and the ASA, and keep fully informed of all relevant pronouncements from the AICPA.

Together, the DGA team provides the painstakingly detailed analysis and documentation to ensure compliance with Stark, anti-kickback and private inurement regulations. Healthcare attorneys who have seen our valuation work routinely refer us to their clients. Hospital management, the board and the compensation committee can comfortably rely on our work.

## DGA EXPERIENCE

### DGA'S COMPLETED VALUATION PROJECTS INCLUDE:

#### PHYSICIAN PRACTICE ACQUISITIONS

Primary care practices  
Anesthesia  
Cardiac surgery  
Cardiology  
Dermatology  
Endocrinology  
ENT  
General surgery  
Hematology/Oncology  
Neurology  
Ob-Gyn  
Ophthalmology  
Orthopedics  
Pediatric surgery  
Pediatrics  
Physical medicine & rehabilitation  
Podiatry  
Radiology  
Rheumatology

#### DIAGNOSTIC SERVICES

Cardiac catheterization laboratories  
Cardiac Imaging (CCTA and PET)  
Endoscopy laboratories  
Imaging centers  
Sleep laboratories  
Vascular laboratories

#### TREATMENT SERVICES

Ambulatory surgery  
Cancer treatment  
Dialysis  
Home health  
Infertility  
Lithotripsy centers  
Radiation oncology  
Rehabilitation  
Urgent care

#### PHYSICIAN COMPENSATION BENCHMARKING

##### OVER 60 SPECIALTIES AND SUB-SPECIALTIES

Direct service provision (e.g. hospitalists, emergency specialists, clinics)  
Administration/supervision/teaching  
Medical directorships  
On-call compensation  
Physician assistants

#### PHYSICIAN MANAGEMENT AND SERVICE AGREEMENTS

Joint ventures  
Provider-based arrangements  
Equipment leasing

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