

Trends in Acquisitions of Gastroenterology Practices from 2012 to 2022

D. MARINO¹, M. MOHAMED¹, M. KWON¹, N. DANG¹, S. FRASER², and S. SHAH¹

1. Brown University Warren Alpert Medical School, Providence, RI, USA

2. Fraser Healthcare, Malvern, PA, USA

PURPOSE / OBJECTIVES

- Market forces are causing consolidation in healthcare in the United States which is transforming healthcare delivery, finances, and employment.
- To inform practice management and policies, this study aims to identify trends in consolidation in gastroenterology over the past decade.

MATERIAL & METHODS

- Acquisition deals from Jan 1st, 2012 to November 1st, 2022 were compiled using three business databases: LevinPro HC, Pitchbook, and CBInsights.
- Databases were queried for all deals that involved an acquisition of a majority stake in an independent practice located in the United States that provided primarily Gastroenterology services.
- Deal year, location, price, practice type (multi/single center group practice, solo practice, or ambulatory surgical center), number of providers, and if private equity was involved were recorded when available.

RESULTS

- 119 deals met the inclusion criteria and there is a trend towards more deals per year (Figure 1).
- Only four deals disclosed terms (\$785M, \$130M, \$80M, and \$3.5M), with a mean deal price of \$250M.
- 81% of the buyers were multiple location group practices (97), 13% non-healthcare groups (15), and 5% by hospital systems (6). The two most frequent buyers were responsible for 46.2% of all deals (31 and 24) and the five most frequent buyers (31, 24, 7, 7, and 7) were responsible for 61.3% of all deals.
- The majority of sellers were multicenter group practices (76), followed by single-center group practices (36), solo practices (5), and ambulatory surgical centers (2).
- Figure 2A and 2B show the locations of the buyers and sellers respectively.
- 44% of deals were within the same state (50) (Figure 2C), with 21% of intrastate deals occurring in the same state as the top two buyers (26) and 39% as the top five buyers (46).
- Private equity was involved in at least 89% (106) of deals.

Figure 1. Number of Acquisitions of Gastroenterology Practices by Year

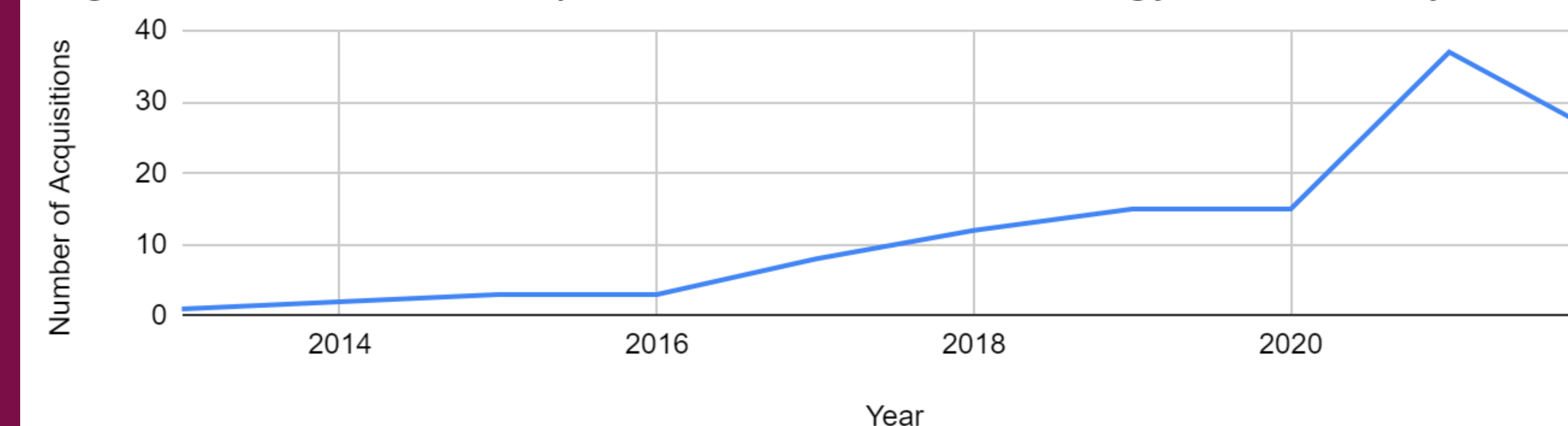
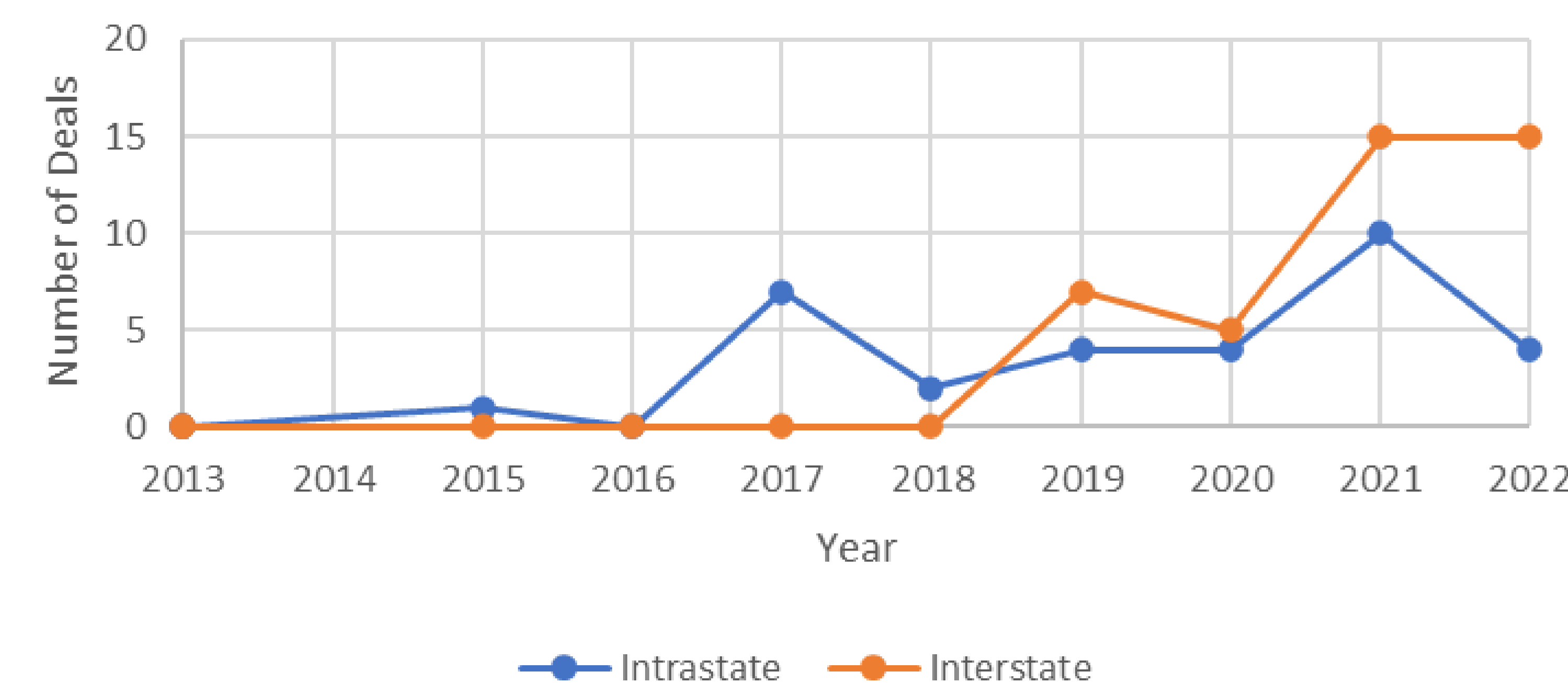


Figure 3. Number of Deals by Top 5 Buyers Per Year



1. Consolidation is occurring in all aspects of healthcare, including Gastroenterology

2. Consolidation appears to be driven by the top buyers who initially focused on intrastate deals but have recently started to make interstate deals (Figure 3)

3. Most deals had private equity backing, studies on long term effects of private equity on clinical practice are needed

RESULTS

Figure 2A. Locations of Buyers of Gastroenterology Practices



Figure 2B. Locations of Sellers of Gastroenterology Practices



Figure 2C. Locations of Intrastate Deals



SUMMARY / CONCLUSION

- Our data suggests that consolidation in GI is occurring at an increasing rate.
- Strengths of consolidation for gastroenterology practices include economies of scale resulting in higher bargaining power and lower costs to deliver care.
- Weaknesses of consolidation include decreased autonomy for physicians or potential monopolies resulting in a lack of choice for patients.
- The vast majority of deals were private equity backed which can free up capital to invest in improving care but can result in shifting practice management to private equity groups.
- Future studies assessing the impact of consolidation and private equity on physician autonomy, partnership model, quality of care, and costs in gastroenterology are needed.