



W. Kenneth Davis, Jr. Quoted on Health Care M&A Deal Killers and Best Practices

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Health Care partner W. Kenneth Davis, Jr. was quoted in *The Ambulatory M&A Advisor* on deal killers and best practices for preparing an M&A deal in the health care industry. Ken noted that a top deal killer is accounting issues that come to light during the diligence process. He added that the seller can sometimes be their own deal killer, stating, "Unrealistic expectations or unrealistic sense of self-worth on the part of the seller can be a deal killer. They just feel that there may be a better deal or better opportunity than the buyer does and they are unrealistic about that. It is okay to feel strongly about your business, but it needs to be market based and realistic." Other deal killers noted by Ken include legal and regulatory issues brought to light during diligence and objectives of the deal not aligning, particularly when the deal includes ongoing seller involvement as part of the deal.

In terms of best practices, Ken noted the importance of having a "well-run, clean operation with good compliant marketing." He stated, "Run a good business that makes sense financially, makes sense clinically, makes sense from a legal and compliant standpoint. Also, don't be aggressive on the regulatory or accounting front. In my experience, most of my clients are not particularly aggressive, but when I am on the buy side, it causes problems if I see issues that are related to regulatory and compliance, maintenance of accounting, etc." Familiarity with value-based reimbursement also is a plus. "The old fee-for-service environment is going away and we are now moving to new types of reimbursement methodologies that are focused on overall value. That takes a different mindset in terms of how you run your business. If you are operating your business on an old-fashioned mindset, in most markets you are not going to be attractive to a buyer." Other best practices include lowering the debt load and avoiding aggressive marketing tactics. "By aggressive, I mean aggressive from a compliance standpoint, or in terms of how they interact with the referral source. It can start to implicate Anti-kickback considerations; it can start to implicate Stark considerations. Frankly, if you are being overly aggressive, a buyer who likes to operate in a more mainline, less aggressive posture will look at you and see how you have driven the business. They may not drive the business the same way so therefore, the business may not be as valuable to the buyer as it is to the seller."

("Keeping the Pace: Preparing the Deal to Not Waste Time," April 24, 2017)

CONTACTS

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