



Episode 101: The Physician-First Culture Driving Ophthalmology Success, With Mary Lou Parisi

Episode Summary

"Without our doctors being engaged in the business, it won't be successful. Period. The end," states [Mary Lou Parisi](#), co-CEO of Eye Health America, in this conversation with host [Geoff Cockrell](#).

Leading a platform that weathered economic turbulence while maintaining 20-25% year-over-year growth, Mary Lou reveals how Eye Health America's physician-aligned approach has fueled recruitment success and practice integration across 60 locations and 135 physicians.

Transcript

Voice Over ([00:00](#)):

This is The Corner Series, a McGuireWoods series exploring business and legal issues prevalent in today's private equity industry. Tune in with McGuireWoods Partner Geoff Cockrell as he and specialists share real world insight to help enhance your knowledge.

Geoff Cockrell ([00:18](#)):

Thank you for joining another episode of The Corner Series. I'm your host, Geoff Cockrell. Here at The Corner Series, we try to bring together deal makers and thought leaders at the intersection of healthcare and private equity. Today I'm joined by Mary Lou Parisi, she's the co-CEO of Eye Health America, one of the leading ophthalmology, vision platforms in the country.

([00:37](#)):

Mary Lou, give an introduction of yourself and Eye Health America, and then we can talk about some specific topics.

Mary Lou Parisi (00:43):

Sure. Well, thank you for inviting me, Geoff. Eye Health America has existed since 2018, so we're seven years in. It is owned by LLR Partners from out of Philadelphia. We have weathered, in the last several years, many things. In our first year, a change of CEO. A pandemic, a bubble, three hurricanes, high interest rates, wage inflation, increased regulation, and now this trade war. It's been a wild ride, but we've weathered the storm. Consider us a very successful group. We have 30 partnerships since our inception. We now have 60 locations, 14 ambulatory surgery centers, and 135 physicians, a number of whom are equity partners. Yeah, we've sustained that difficult growth of 20, 25% year-over-year.

(01:38):

We love our model. I am the co-CEO, so my other partner is John Swencki. He and I both evolved from a similar place where we were the platform groups that formed Eye Health America in the beginning. We've been great partners. We do divide up what we do. People often ask, "You're co-CEO, what is that like?" Well, I can't imagine any other world, at least in private equity of eye care. I handle growth and John handles operations. But we collaborate, because those functions intersect all the time. It's been a really great journey.

Geoff Cockrell (02:16):

Mary Lou, I work with a number of ophthalmology platforms. One of the recurring difficulties has been on the labor side. Recruitment, surgeon retirements. Some of that has been made worse by coming out of the pandemic, where being a provider was super difficult. But that has been a really difficult challenge for a lot of ophthalmology platforms. Has that been your experience? It's implicated by both recruitment and retention, but let's start with recruitment. What has been your experience on that front?

Mary Lou Parisi (02:46):

Well, that's always a challenge. Many practices that sell to private equity have physician owners who are in career, so managing that runway, hiring new talent that can fill those big shoes is always difficult.

(03:05):

I think we've done a great job. Of course, the story varies. There are some wins and some challenges that remain. But we've been very successful at recruiting. I think the key to our success has been our happy workforce of physicians. I've been in eye care for 25 years, and my co-CEO, close to the

same, so we are very physician-aligned, very physician-focused. We know that without our doctors being engaged in the business, it won't be successful, period, the end. I think that with new recruits, they appreciate that culture. They appreciate that they're joining a well-oiled machine. They can ramp and they can evolve pretty quickly in our workforce.

(03:51):

Always a challenge, when a key physician is retiring. We haven't had too many retire, I think just a couple. Out of 135, we've got probably five right now that are close. What we've done is, when we hire that new recruit, there has to be a period where they start to pick up some of the retiring physician's volume and patients. Then it's a very smooth transition. It can't ever be a hard stop, there has to be a period of transition. Both for consistency of patient care, as well as the sake of the business.

Geoff Cockrell (04:27):

You mention the key being happy providers. I know it's partially both, but how much of happy providers is just raw economics and how much of that is culture?

Mary Lou Parisi (04:39):

Well, they kind of go together I would say. Culture is very important, but physicians, obviously they want to be well-compensated for what they do. I think that if they're in a very happy work environment, they may not be the highest paid in their specialty that they'll still be happy. But in general, we seek to provide our physicians with a very competitive compensation. Fair market value, bar none. Sometimes we even have to stretch beyond that for some of our real top performers.

(05:09):

I think that they are very pleased with our compensation formulas. It is an earn what you produce. We have different forms of compensation as well. A number of our physicians are employee. A number of our physicians have equity in top co. Many of our surgeons have equity in the ambulatory surgery centers. That equity is a little different because it does pay quarterly distributions from the profitability of the surgery center. They really love that model and I think it keeps many of the high performing surgeons really motivated.

Geoff Cockrell (05:47):

Staying on the culture side. Having seen a lot of different provider businesses, it often struck me that in building a sticky culture, one of the drivers of that is coming from the top. There have been a

number of platforms where the CEO or someone nearer that level, I would describe as a doc whisperer in just the ability to cultivate that kind of relationship with providers. Has that rung true? How have you been able to manage building that kind of culture?

Mary Lou Parisi (06:20):

Definitely. Yeah, I have to say that I'm probably one of the doc whisperers, and there are probably many others in our company.

(06:27):

For me, I've been in eye care 25 years, all things eyes. I actually have a close relationship, my husband is one of the refractive cataract surgeons in Eye Health America and he's also on our board. I always describe him as our secret weapon because we always tap into him. "What do you think? What would you do if you were in this situation in dealing with young physicians?" He's been an incredible value for us.

(06:56):

Building culture, I think it's really finding and working with like-minded people that have a shared set of goals and shared mission in eye care. It's not always easy to find those individuals, but we have found many of them and I think it has contributed to the success of Eye Health America.

Geoff Cockrell (07:16):

You mentioned that, in your role, you're in charge of all things growth. How would you describe Eye Health America's growth strategy from where you sit today? Is it expanding in other geographies, is it achieving local density? Is it de novo? What's your strategy?

Mary Lou Parisi (07:33):

Sure. Well, our strategy was always growth in the Southeast. We wanted to have density within a specific geography. Our growth strategy has always been organic and inorganic.

(07:48):

Organically, it's really about hiring doctors. Working in ophthalmology and optometry, we call it an extender model, where our optometrists are treating more and more medical eye situations, and our surgeons and MDs are working to the highest scope of their practice as well, and dealing with more pathology and surgery. We've always had that approach and organically, it has been strong.

(08:15):

Then on the inorganic side, M&A. I mentioned 30 deals. Last year was a quiet year, but this year is starting off with a bang. We've had a couple of very large deals this year. We've always been a very disciplined group on deals. There was a time in '21, '22 where we'd lost a lot of deals because we didn't overpay for them. But then, of course when interest rates went up, some of those groups found themselves ... What's that Warren Buffet saying about, "When the tide goes out, you see whose swimming naked?" Some of those groups got caught I think in that. We, being the more disciplined, conservative of the groups, not overpaying, I think were left standing.

(08:55):

The other part of our inorganic growth has been de novos. Inorganic, organic. We have done a number of de novos over the years. I love de novos. It's nicer than a beautiful, shiny new practice or ambulatory surgery center. The only issue of late is just the cost of construction has gone up significantly. I'd say it's probably today 35% higher than it was five years ago. That's the only thing is just making sure all the economics align.

Geoff Cockrell (09:24):

On the acquisition front, what has been your experience from the seller's perspective? I was talking recently with a banker friend of mine and he was talking about the evolution of seller expectations, whether that's pricing or even what they're wanting to get out of the deal. What's been your experience in the evolution of seller expectation?

Mary Lou Parisi (09:46):

That's an interesting question. It certainly has evolved, but it has been a hard evolution from the sellers getting wildly high multiples for their practice, for their EBITDA, to I think what it is today.

(10:04):

In my opinion, it has normalized. Part of that normalization is also the fact that we spend a great deal of time educating all of our potential partners. We always call them partners. We spend a great deal of time digging through the financials and really helping them understand the limits of what we can pay for a practice.

(10:25):

I think it has normalized. I think that we've also had some interesting, creative formulas around, rather than all the equity up front or the cash up front, and some rollover equity. There's retention built in over time. We can't do earn outs of course, but there's a way to build some skin in the game so that they're part of the go-forward success of the practice.

(10:49):

Then income repair is another piece that we talk to them about, because a number of these practices are I would say reasonably successful, but there's a lot of dry powder. There's still a lot of growth and opportunity. When they meet us and we talk about the type of eye care group we are, the innovations. Whether it's refractive cataract surgery or dry eye therapies, they get excited because those are maybe service lines or technologies that they haven't had before. They've either just chose not to invest in them or they haven't really had the work stream to fully implement them. Working with us, that's a nice dry powder. We've got the playbook, we can help with training, work together on this. It's a collaboration.

(11:36):

I think ultimately, the success of anything with physicians has to be a great collaboration. The danger of MSOs is basically, you apply that corporate mentality of, "This is how we do it," and you try to force that on physicians. They want to be part of the process, they want to have a voice. As long as they're involved and you're collaborating, I think you'll have some good outcomes.

Geoff Cockrell (11:59):

When you're talking to a smaller physician-owned practice, in addition to just the raw economics, I can see a number of problems that affiliating with you would solve. As far as lifting some administrative functions, bringing in some centralized processes, any number of things that they couldn't have done themselves.

(12:21):

If you look up a bit market to a bigger platform, even one that is provider-owned, but is a more established business and has already done some of those things. Beyond just the raw economics again, what's the value proposition to that larger seller?

Mary Lou Parisi (12:38):

I think that the larger sellers still have some dry powder, as it were, but it's a good point. The value to the larger seller could be in the future value of the company. We believed that at one point, but now

I'm not entirely sure what the end point is for our groups as we keep getting bigger and bigger. Is it a scenario where we become self-sustaining in some way? Or is it going to continue to be an attractive investment, PPM, for sponsors or strategics? Yeah, it's a difficult question. The market's constant change isn't helping make that any clearer.

(13:22):

But it's harder in that regard, Geoff. Sometimes there are synergies of course, when these big groups come together. That usually involves some reduction of their mini MSO, et cetera.

Geoff Cockrell (13:35):

Yeah. Some of the evolution, as I look at the market, whether that's ophthalmology or other areas, is an evolution of what the upstream buyer might look like. There's not been a lot of IPOs. That's still a possibility and you hear more larger platforms talking about that. Eventually, you run out of room for there to be an ever-bigger private equity fund, in theory. But we're starting to see some evolution of different kinds of strategic buyers, whether that is pharma companies who view an MSO as a vehicle for distribution, or maybe a device company depending on the sector, in addition, to the larger healthcare strategics. There was a little bit where the ultimate solution was often buying everything, but it's becoming much more diverse. From where I sit, that evolution has been a welcome dynamic.

(14:35):

Then the other form of buyer that is starting to present are longterm hold buyers, whether that's big pension funds doing direct investing. I think part of the theory is that there's not a lot, for provider businesses, there are not a lot of public investment opportunities. I believe that they are starting to look at some of these larger platforms as platforms that mirror what it would look like if they were public. You buy a large platform that is cash-flowing, that's not dissimilar to making a public company investment. It's stable, the growth trajectory doesn't need to necessarily have the private equity hockey stick growth trajectory, but stable, cash-flowing. If you're comparing an EBITDA multiple versus a public market PE multiple, maybe a longterm hold in some of those platforms is another viable idea.

(15:30):

Because that's been an open question on all consolidation is, "Well, where does this go? Is it really turtles all the way down, or will there be ultimate other end points?" I'm optimistic that part of the market is going to continue to open up.

Mary Lou Parisi (15:45):

Yes, I completely agree with you. It has been interesting to see some of the recent large deals, with Prism and pharmaceutical distributors getting in the game. The payers are probably going to want to get in the game. ASC Corporate Groups have already been involved, to a certain extent. Surgery Partners, and USPI, and others. Yeah, what's the end game?

(16:12):

With our business, and PPM in general, I think it's a stable business. It has steady growth. It has good, organic growth. Is it always going to be 20, 25%? That's difficult. It's going to be organic growth if it's in the mid to high single digits and it's steady, and it's producing EBITDA, I would think, to your point, it should absolutely be a good investment for one of these non-private equity that are not just looking to turn it every five to seven years.

(16:44):

That's also the danger where, in our world, when I entered this, I was new to private equity seven years ago. We all were promised that most likely, in five to seven years, it would recapitalize. We also wondered, "And then what? We just keep growing and double our size again?" 30 million of EBITDA now, 60 million. And then what? To keep growing until you go public potentially? We're not large enough for an IPO I think at this point.

(17:15):

But yeah, it's a strong business, it's a great business. Eye care is such a unique business because it just has so many different silos of revenue. From medical, surgical, to the retail component with optical. It's got to have a home somewhere, Geoff, so if you can help us figure it out.

Geoff Cockrell (17:34):

It'll land, it'll land. Mary Lou, you're in the development arena, you're out talking to a lot of potential sellers. What is the vibe that they give you? As they look at you, a private equity-backed platform, there have been moments where you all were the boogeyman. What's the perception of the market of businesses like yours?

Mary Lou Parisi (17:56):

Well, I definitely have seen a shift, Geoff, over the last probably three years. Where new physicians and various practices wouldn't even have a conversation with me despite my insistence of, "Just be educated, if nothing else," but it really has changed. I do not hear that pushback as often. There are

still a lot of practices in the marketplace that, A, are under water or need help. B, don't have any succession plan whatsoever. That's not a good place to be.

(18:28):

In fact, I've got one right now that, unfortunately, they had no succession plan and they just closed their doors, and those patients in some rural areas have nowhere to go. I think we're a real solution. A large, consolidated, healthy, strong group can provide incredible value to so many sellers. In general, the marketplace is I think much more amenable to working with us, fortunately.

Geoff Cockrell (18:52):

Mary Lou, I think we'll call it a wrap there. I'd just say that watching your platform over the years, you talk about culture, and I've seen you guys build that. It's a real testament to your leadership and the things that you guys have been able to do. Thanks a ton for joining me. This has been a lot of fun.

Mary Lou Parisi (19:11):

Thank you. I've enjoyed it, Geoff.

Voice Over (19:16):

Thank you for joining us on this installment of The Corner Series. To learn more about today's discussion, please email Host Geoff Cockrell at gcockrell@mcguirewoods.com. We look forward to hearing from you.

(19:29):

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