THE CORNER SERIES

Episode 112: Proving Private Equity's Value in Healthcare, With Lauren Makhoul

Episode Summary

Returning guest Lauren Makhoul, principal of Avalere Health, explains how private equity allows healthcare providers to focus on what matters most while business professionals handle the administrative burdens.

With McGuireWoods partner and host Geoff Cockrell, she highlights compelling evidence from recent studies showing how private equity-backed physician groups deliver better outcomes with lower costs.

A spinoff of The Corner Series, The Corner Series Shorts delivers quick, high-impact insights from dealmakers and thought leaders at the corner of healthcare and private equity. Each short episode — less than 10 minutes — offers a focused look at key trends, timely topics and expert perspectives.

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 (00:19):
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. We're doing another one of our Corner Series shorts where we're focusing on little snippets that kind of detail the beneficial impact of private equity investing in healthcare. And I'm joined by my friend Lauren Makhoul from Avalere Health. Lauren, if you could introduce yourself and Avalere, we'll then jump into a quick discussion.

Lauren Makhoul (00:48):

Sure thing, Geoff, and great to be back with you. So I'm Lauren Makhoul, a principal in Avalere's Financial Services Practice. We sit at the middle of the investment community, the regulatory environment and reimbursement. And so we help our investor clients, their portfolio companies and investment banks understand how their business models are impacted by Washington, as well as differentiating some of the reimbursement dynamics, as well as doing some strategic work for those groups as well. So happy to be here.

Geoff Cockrell (01:21):
Today we're going to talk a little bit about the impact of private equity investing in healthcare as it relates to kind of the provider experience, and patient experience. And obviously those kind of somewhat separate items also often connect back into the core aims of improving access, outcomes, and cost. But they are still separately relevant. Lauren, can you give a little bit of discussion of how kind of private equity investing improves the provider experience, and how that impacts cost and other aspects of care?

Lauren Makhoul (01:53):
Yeah, absolutely. So I think if you talk to any doctor, they would tell you that the reason they went to medical school is not to figure out how to market their business or as many say, order light bulbs, and do the back office work. They're there to care for their patients. And so I think one that we've seen in particular is that when business professionals can come in and take away that burden from the providers, which as we see is increasingly more and more complex. Those doctors can focus on providing the best care for their patients. In addition to taking some of the administrative burdens away, the injection of capital into businesses allows for investments in new technology, into new medical devices and equipment that may otherwise not be possible in independent practice. And where we do see those investments made in hospitals, those practices may lose physicians and lose patients if they don't keep stride.

(02:52):
And so there's lots of different ways that we see that play out. But generally speaking, investing in those type of provider groups has proven to benefit the physicians. It's certainly harder to quantify, and I think the published evidence on this is variable, we actually have tried to do this ourselves. And I think every single scenario is different, and doctors have pretty strong opinions about how they practice medicine. And so I think this one is a bit nuanced, but I do think that the louder voices are typically the negative ones. And what we get to hear from our clients is that there are certainly benefits that play out that maybe aren't as publicly discussed.

Geoff Cockrell (03:29):
Another aspect that gets less play is the impact of competition. And at some level you can think of some of the consolidation that you see in provider businesses as reducing competition, and there can be aspects of that at times. It also can be a catalyst for increasing competition, and you see that in

different sectors. And a good example of that is the dental sector where just the impact on patient experience of the influx of capital is pretty remarkable. Practice to compete against a larger chain is becoming increasingly more difficult, and the chains are now more often than not competing against each other. And so there's a lot of need for them to really influence the patient experience, whether that is kind of what the payment experience is like, what the physical environment is like, what the tools available are. Some of the imaging tools that can happen right on location are now pretty remarkable, but require significant capital experiences. And it's really driven by the enhanced competition that is brought about by these growing consolidating platforms.

(04:36):
And you wouldn't have the need to innovate on patient experience the way you do, if you didn't have this consolidation happening. So it's another area where the wrap on private equity investing is inconsistent with what both my experience has been as a patient, but also my experience as participating in investment in the space. So all of that gets lost when people focus just on the type of investor. Lauren, are there any other aspects where you think quality or access is improved?

Lauren Makhoul (05:06):
Yeah. This is something that we've tried to quantify in several different ways in recent projects we've done with our clients. And on a past episode, we talked quite a bit about the work we did with the American Independent Medical Practice Association. We worked with the group at Duly Health and Care, and their value proposition is provide that alternative site of care to a hospital-heavy environment in Chicago. And we endeavored to prove out what their value proposition is. And what we found was quite compelling. Similar to the broader national trends that we saw in our ANPA study, we found that Duly physicians, again, focused on a subset of specialties, gastro, ortho, cardiology, oncology, and urology.

(05:54):
Those patients that saw Duly physicians had significantly lower total Medicare expenditures, talking almost a quarter lower Medicare expenditures, but they also spent less time in the hospital. They had fewer emergency department visits, fewer readmissions, and actually more follow-up visits after they got out of the hospital. So this was close to 15% fewer inpatient days, which is a real difference in how the patient experiences care. And this is all based on claims data through 2024, so fairly recent and all statistically significant, all risk adjusted. I definitely encourage folks to look up our study with the Duly team to see for themselves just how this has played out in recent history, and how this group who has a private equity partner, but also operates fiercely independently in their community, the quality of care that they're able to provide in comparison to their hospital-based counterparts.

Geoff Cockrell (06:53):

So the takeaway for this episode is that profit motive and competition can have some real beneficial effects as well. And those need to be brought to the fore in the policy debate as it's occurring. Lauren, thanks again. Love these shorts. You're always a pleasure to have on the show.

Lauren Makhoul (07:11):
Thanks, Geoff. Happy to be here, and we'll hopefully talk soon.

Voice over (07:15):
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. This series was recorded and is being made available by McGuireWoods for informational purposes only. By accessing this series, you acknowledge that McGuireWoods makes no warranty, guarantee, or representation as to the accuracy or sufficiency of the information featured in this installment. The views, information, or opinions expressed are solely those of the individuals involved, and do not necessarily reflect those of McGuireWoods. This series should not be used as a substitute for competent legal advice from a licensed, professional attorney in your state. And should not be construed as an offer to make or consider any investment or course of action.