



## Episode 99: 20 Years of Evolving Healthcare PE, With Amber Walsh

### Episode Summary

For 20 years, McGuireWoods Executive Committee member [Amber Walsh](#) and host [Geoff Cockrell](#) have joined forces to run a healthcare private equity conference in Chicago. “Good content has always been, since the very beginning, one of the hallmarks of this conference,” Amber says as she and Geoff reflect on the conference as well as the state of healthcare private equity investing.

Tune in for their insights about emerging joint venture opportunities with health systems, the continued importance of inclusion initiatives and why diversification remains the dominant investment theme in today's healthcare private equity landscape.

### 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, a partner at McGuireWoods. Here at The Corner Series, we tried to bring together deal makers and thought leaders at the intersection of healthcare and private equity.

([00:32](#)):

Today, I'm really thrilled to be joined by my longtime friend and partner, Amber Walsh. Amber Walsh served for a long time as the chair of the McGuireWoods Healthcare Department, and she and I, many years ago, started the whole journey down the intersection of healthcare and private equity here at the firm, and we've worked together on countless things and is just a wonderful friend.

(00:54):

Amber, if you could introduce yourself a little bit more, and then we'll jump into some discussion.

Amber Walsh (00:58):

Yeah, thanks. I'm happy to be here. I currently serve after that long time stint as the chair of the Healthcare Department, I currently serve on the firm's Executive Committee. I get to do lots of fun things with you, Geoff, like our healthcare private equity conference planning and overall strategy alongside several of our other partners in how we approach the market relative to healthcare, private equity investments. But I also get to do some other fun things in the firm such as I chair the Lateral Partner Integration Committee, which is a really unique way to spend some time other than just being a transactional attorney and think about the best ways to bring partners in, integrate them, fulfill our promises to them, and vice versa.

(01:44):

And then I also co-lead our Women in Private Equity and Finance Initiative, which is both an internal and external initiative focused on advancing women in the industry and how we can be support systems for one another. So, I get to do all these fun things and many with you. Happy to be here.

Geoff Cockrell (02:08):

Amber, this might be a useful frame of thinking about healthcare private equity. We recently had our big healthcare private equity conference here in Chicago, and you and I have been putting that thing on for going on 20 years. It's certainly evolved as we think of what we focus on, and it ties directly to the state of the market in healthcare private equity investing.

(02:29):

How would you describe how the event has evolved and some of the points of focus that we've emphasized?

Amber Walsh (02:36):

Yeah, what I think is interesting about our approach, and it certainly took years of planning and trying to get it just right, into an efficient but thoughtful way to create good content, and good content has always been, since the very beginning, one of the hallmarks of this conference. You and I years ago, and our other colleagues like Holly Buckley and others that have joined have always put that as the highest premium of making sure that there's really good thoughtful content and networking opportunities.

(03:09):

But how we've approached that, I think, has really evolved over the years. In addition to the conference itself, expanding from what was originally a luncheon and fairly rapidly grew to a two-day event, I think we also evolved in how we approached thinking about the focuses. And it's a little bit of

a challenge to try to anticipate, minimum six months out on the panels, what's going to be of interest, what is going to be on the mind of investors and healthcare executives who are targeted attendees that far out.

(03:49):

But also, when you plan your keynote, what's going to be the vibe in the country at that time? What are people going to want to hear about and talk about? And your keynote has to be planned even more than six months out. That's more of a nine-month minimum thing. I feel like where we've evolved in that is trying to look down the road and think about where the overall investment community is going. And a good example of that is in the past couple of years, weaving in a more diversified portfolio of panels and discussions beyond just physician practice management and providers, traditional providers like surgery centers, therapies, et cetera, and try to bring in other things a little bit heavier into some of the technology-driven solutions like pharma services, trying to bring in more FDA biotech kind of angle to it.

(04:54):

And then trying to also bring in things that weren't just industry specific, but recognizing some real tools such as RWI insurance, deep dives and RWI insurance, recognizing that exits are starting to look different than they had, distress deals, all sorts of things that aren't a deep dive in an industry, but they're more tools for growth, exit, maximizing your investment.

(05:24):

That is a huge big picture overview, but I feel like that's how we've evolved as conference planners and therefore how the conference itself has evolved.

Geoff Cockrell (05:33):

Yeah, I'd also say that this year, or rather in prior years, we've brought in people from a political perspective and maybe different sides of the aisle to talk about policy. This year we were more of the mind that everybody's sick of it, and so we skipped a lot of that focus, which I think was the right call for everybody's sanity.

Amber Walsh (05:52):

Yeah, I think that's right. And our two keynoters were actually really interesting, but very much, even though they have their own personal political views, as an adult who doesn't, but it's not what they are known for. We had, as you know, but the audience doesn't, Lance Armstrong, which was a very interesting conversation, I think unabashedly, and knowingly controversial for many people. But he talked a lot about his investment background, but some parts of his background that maybe we wouldn't have known about, how he evolved as a high-performance athlete from a young age.

(06:32):

And I was actually impressed with the fact that he encouraged us to be a don't pull any punches in the conversation, and the idea that we could have conversations with him a little bit about redemption and some other topics that, as you said, are not political, but that are always of interest to adults who are trying to grow investments, make good decisions, lead teams. And there were a lot of nuggets and thinking that came out of that conversation that our partner, Holly, moderated.

Geoff Cockrell (07:07):

It's also super interesting at that event being at JP Morgan, where you get to have a lot of conversations with people about what their investment emphasis is going to be looking forward, whether that is through the end of the year or the next 18 months.

(07:24):

What were you hearing in the conversations as far as how folks investment themes are evolving?

Amber Walsh (07:30):

Yeah, it's not... For me, it wasn't as much of a stark full U-turn away from PPM and DSO investments that some people suspected might be the case six to nine months ago. That is still a huge part of the investment thesis. It's just a little bit different now when you're thinking about what do physician practice management, dental services, and similar type investments look at?

(08:00):

It's a different way of approaching those, and with a little bit more of a maybe refined and corrective valuation approach, and a little bit more sensitivity around some state, and potentially, although less likely at the present moment, federal regulatory overlays to those businesses. But by no means do I believe that it is as much fear of investing in those areas as people were discussing even this time a year ago.

(08:37):

Although, of course, in addition to those areas, diversification, diversification, diversification was a continued theme for me. I'm interested in if that's consistent with your conversations.

Geoff Cockrell (08:50):

Yeah, certainly not a complete abandonment of provider consolidation ideas. I think there's a realization that the tide was always rising, and it didn't really matter if you had a involved thesis about improving performance, that you could just arbitrage the difference on smaller things, valuation versus bigger things valuation, and leverage the impact of debt at near zero pricing, that those days are over and that the business models of growth and development of those companies need to be more operationally focused. And it's thinned out who can do that sort of investing because it felt for a while that anybody could do it. And we had lots of even non-healthcare investors doing a lot of these sorts of deals.

(09:38):

And I think those days are over, but more sophisticated private equity investors that have a deep operational focus or a thesis around a particular area, those are still happening, are going to continue to happen. The valuations are more rational. And by rational, I mean lower that has implications for deals that were done maybe three years ago. Those rational valuations have less to do with whether or not an opportunity is a good idea now. So, we still see interest in that area, but maybe a little bit more refined and a little bit more focused.

Amber Walsh (10:10):

Yeah. And to your point, back to the discussion about how we have evolved our conference planning, we actually added a feature this year that I think is directly on point with that evolved thinking, which is that in-depth operating company bootcamp that Tim Fry and a couple of our other colleagues organized and ran.

(10:32):

And the whole point of that was to really recognize and elevate the importance of operational improvement and growth at the operating company level in ways other than just bolt-on transactions. So that bootcamp was focused on a wide array of topics such as intelligent structural decisions, different ways to add providers into the structure alignment strategies within your teams and your referral sources, growth through ancillaries, things that you can do at the operating company level, including with really smart and seasoned C-suite and development teams. That is more than just well beyond, as you said, just the make something bigger and sell it strategy.

Geoff Cockrell (11:29):

The other corollary, however, is that we have, and you have as well, a number of clients that have sophisticated development teams that are looking at doing acquisitions. And those teams for a number of the platforms went completely dark for 12 months, 18 months, and they just weren't doing anything, whether that was pricing, disconnect on bid, ask on seller's expectations, or unavailability, dry powder, or powder from a credit availability perspective. A lot of those development arms went silent, and they're coming back online now, which bodes well for larger platform acquisition dispositions, but also intervening acquisition work of those platforms is, I feel like it's coming online.

(12:12):

And when you think about broader market trends, it's also against the backdrop of there are a lot of these platforms that have been held for a long time. The natural timeline of holding those deals got stretched out, and the private equity universe is not meant or designed to hold things forever.

(12:33):

So, you have convergence of lots of dry powder for acquisitions being available, coupled with a lot of platforms needing to transact as soon as there is a little bit more stable market for things to transact, it feels like there's going to be a lot of activity, maybe not as huge home runs as people had thought,

but still things are going to start moving again with the caveat that all of that has an overlay on it of macroeconomics and things that are happening at a national level, but political level, economy level, there's just a lot of uncertainty that is not helping get that broader process started.

Amber Walsh (13:15):

And it's interesting because I did hear a lot of conversation around some exciting exits to come for some healthcare companies, some of which I think had tempted the market a couple of years ago, and things weren't just right.

(13:32):

And the fact that some of those companies are feeling like now is the right time, and it's beyond the fact that they have well exhausted the typical private equity investment timeline. It's well beyond that. I think it's also some growing comfort with the current lack of comforts. And what I mean by that is you reference the macroeconomic trends, the reality of the instability right now, people are becoming more comfortable with that, I think, and becoming more comfortable transacting in a climate in which maybe we are going to be entering into a recession.

(14:15):

The stock market is up and down on an almost daily basis, and I feel like investors are becoming more comfortable recognizing that that may last for a while longer. And we can't just wait until there is a complete stabilization and everyone is comfortable, and it's the perfect moment. We need to transact. We have commitments to our investors to do so in our funds. It is the right time in the lifetime of our particular investment, and we have built up through M&A or other growth strategies, and we're just going to do it. And I feel like there's a lot of investors who are coming to that conclusion.

Geoff Cockrell (15:00):

Maybe a little different twist things we heard at the conference. Are you hearing any new ideas, either investment thesis or new directions for focus? Anything new or are you seeing more of the same?

Amber Walsh (15:14):

In my world, as you know, I do a lot more of the traditional services investments. So, for me, it's a little bit more of the same, but maybe with some different partnerships involved. Different partnerships between different players coming together. So, more and more real honest opportunities to transact with payers in a joint venture.

(15:43):

And that's been going on obviously for a decade, but I feel like it's become more of a common theme that investors are really investigating with their services companies. Now in the more tech world, certainly on the pharma services side, I know that's an area where you touch on a little bit more than



me, I feel like there's probably a lot more new there, but in mine it's variations and improvements on the same.

Geoff Cockrell (16:08):

Yeah, I'm seeing a lot more interesting niche ideas floating around, whether that's investigating radio pharmaceuticals and other things that may flow from that, or new ideas around building platforms that are oriented towards payer services, or building companies that you can sell to a payer. A lot of interesting niche ideas, whereas I think three, four years ago, there was a lot more group mentality. Folks are now kind of seeking out new areas where they can find green space.

(16:45):

So Amber, another interesting dynamic at the conference this year, and certainly something that is an indication of the times, is we've always had a lot of programs around inclusion and private equity. And private equity for a long time was very non-inclusive, just the demographics of it. But we have programs around black professionals, women in private equity. In the current environment, what vibe did you gather from some of those things? I know you led the women in private equity breakout morning session. What different vibes are you hearing on those fronts?

Amber Walsh (17:20):

Yeah, it's really interesting, and you're right, that is an additional aspect of our present moment that we think about when we're doing our planning. It is a moment where I believe that professionals of all walks of life, including in this case, the programming that we have had for Black professionals and women in particular, want to convene, want to continue to dialogue, want to continue to still network build.

(17:51):

And even though it might be a little bit of a different environment right now than it was a couple of years ago, we still thought it was really important to still gather and converse and build networks, and talk about particular issues within those groups. And I think that was still very much appreciated because no matter your beliefs that you may have from a legal and political standpoint, that network-building component of it is still really valuable and really important.

Geoff Cockrell (18:26):

One of the benefits of private equity investing or the whole private equity culture is that it's very, very performance-oriented in the sense of if you can get the best, the smartest people, you're going to have an advantage in your performance.

(18:43):

And in that vein, all of these aspects of inclusion and drawing more people in really, really draws towards some of the strengths of private equity investing that if you can find opportunities to connect with the best and brightest people, even if they historically hadn't been as significant of a part of that

community, drawing those people in is always going to be a winning idea. So, it's no surprise that the private equity community in general is still very interested in drawing in the best and brightest that is out there.

Amber Walsh (19:12):

I think that's well said.

Geoff Cockrell (19:14):

Amber, maybe the last area we could talk about is an intersection that brings all of our worlds together. I represent lots of private equity-backed platforms, as do you, but you also have a deeper work experience doing things with hospitals and health systems.

(19:30):

Can you talk a little bit about the intersection of some of these platforms with the health systems that we see? Tons of interesting evolutions happening around surgery centers for some of these platforms, but the joint venturing with some of these broader health systems has been a significant focus. What are you seeing in that intersection?

Amber Walsh (19:49):

Yeah, that is a really interesting component, and it's a little bit less with direct investing by private equity in hospital systems, although we certainly have that, and that's absolutely always been there all the way back to USPI, decades ago, the original articulation of HealthSAL surgical care affiliates. You've always had private equity investing directly in hospitals, but typically a little bit more on the specialty hospital side. But what's particularly interesting right now, even though that does continue the direct investment, I agree that intersection between the private equity community and health systems, including not-for-profit systems, and being able to create very interesting joint initiatives. Some joint ventures, of course, you have your very rudimentary long-standing joint ventures such as dialysis facilities, surgery centers, et cetera, the really rudimentary joint ventures. But you have some really interesting initiative combinations in oncology, for example, where you can do some joint investing together and have some interesting contractual relationships where you're going to market together to achieve certain goals for your patient population.

(21:13):

And you may have a private equity-backed managed oncology platform, joint venturing in unique ways with a health system to be able to achieve some goals on radiation oncology and so forth. That's just one small example, but I think you're seeing much more of an appreciation for what each can bring, and a willingness to work together to recognize that in order for health systems to achieve their goals, not only do they need to work with physicians and a lot of third-party providers, particularly in the outpatient space, but also investors that healthcare, private equity investors are here to stay. They're not going anywhere, and in many ways have provided an opportunity for partners for those health systems to be more creative, more out front, have the capital and backing and entrepreneurial thinking to do those partnerships with health systems.



(22:20):

So, those lines that previously existed, I think have broken down, and I think that's a really good thing because it allows for some real improvements for some community services that otherwise might've been unmet.

Geoff Cockrell (22:35):

Yeah, the movement from that being hostile relationships of competitive enemies to more frenemies and finding ways to structure things that can work out for everyone is definitely the evolution of the moment. I think we'll call it there.

(22:51):

So Amber, I've done a little over a hundred of these, and I can't believe this is the first time that you've joined, but this has been a ton of fun, and we'll have to do it again.

Amber Walsh (23:00):

Yeah, for sure.

Voice over (23:04):

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](mailto:gcockrell@mcguirewoods.com). We look forward to hearing from you.

(23:17):

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