McGuireWoods

Episode 137: The Compliance Playbook Behind Today's Booming Wellness Clinics, With John Bradburn and Chris Seitz

Episode Summary

As private equity investment in healthcare compliance and wellness accelerates, oversight infrastructure helps nonphysician providers to scale. Dr. Christopher Seitz, CEO and CMO of GuardianMD, joins John Bradburn, a partner at Elements Health Investors, to discuss mid-level providers reshaping access to care.

Chris details Guardian's role in helping clinicians navigate licensing rules. Guardian launched five years ago to build compliance infrastructure for telemedicine and outpatient providers. John explains Elements' thesis of backing companies that improve outcomes at lower cost.

McGuireWoods partner and host Geoff Cockrell steers the conversation toward AI's growing role in medical oversight, calling it a massive opportunity. John closes by addressing misconceptions about private equity in healthcare and outlining Guardian's growth strategy.

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 (00:20):

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 try to bring together deal makers and thought leaders at the intersection of healthcare and private equity. Today, I'm joined by my longtime friend, John Bradburn. John is a partner at Elements Health Investors. We're joined by Elements kind of

partner company, Guardian MD, with Chris Seitz, Dr. Chris Seitz, CEO of Guardian. And we're going to talk a little bit about some investment themes, governance, risk compliance, and also wellness longevity. Both of those are very, very active deal markets and they have some intersection and we're going to hear a little bit about what Guardian is doing at that intersection. But John, if you could introduce yourself and Elements, that'd be fantastic.

John Bradburn (01:03):

Geoff, thanks for having me on. Interesting topic for us to discuss today, so looking forward to that. I'm a partner at Elements Health Investors. We are a middle market healthcare services-focused private equity firm. Thesis is around investing in companies that are improving healthcare outcomes, doing at a lower cost, and leveraging our network and relationships to drive organic growth to our portfolio companies. So a roll-up shop, we're not a PPM shop, we really want to partner with companies like Guardian where we think we can help drive organic growth along themes that we spend a bunch of time thinking through, evaluating, and then proactively going out and finding companies, which is how we ultimately got connected with Chris. My partners are Curtis Lane, who's the founder of WindRose Health Investors, Steve Shulman, who is the former CEO of Magellan, the Large Behavioral Health Network, and then Jonathan Lane, who joined us from Goldman after spending eight years there. So that's kind of the team at Elements and some of what we look to invest in.

Geoff Cockrell (01:55):

Chris, maybe tell us a little bit about Guardian.

Christopher Seitz (01:58):

Yeah, absolutely. So yeah, my name's Dr. Christopher Seitz. I'm a board certified emergency physician by trade. We launched Guardian about five years ago. We provide medical oversights, compliance infrastructure for both telemedicine and outpatient care across the healthcare system. We work with urgent cares a lot in the wellness and functional medicine space, medical spas. And again, we step in... We're a platform-based company, so we step in with our technology and services to help both non-clinicians and clinicians who are launching businesses in the healthcare space to do so compliantly within the right scope of practice in compliance with board regulations and state requirements around practice ownership and we really guide those companies on how they can scale safely and compliantly.

Geoff Cockrell (02:38):

And Chris, as you look at the market that you're serving, how would you describe the problem that Guardian is solving?

Christopher Seitz (02:45):

I was doing a lot of travel medicine as an emergency physician pre-COVID and then during COVID we saw this mass exodus of healthcare practitioners from the traditional healthcare ecosystem coming out of hospitals. But COVID also highlighted a physician shortage problem that we've had for a long time. COVID didn't cause it, but it highlighted it. And I think as technology advanced too through the COVID era with telemedicine and remote medical delivery, the healthcare system as a whole realized that we have to turn to another pool of providers to deliver care. There's just not enough physicians out here to take care of the patients that need to be cared for, especially when we look at remote environments. I think that was highlighted when we were cut off from each other in a big way where you couldn't get in to see your primary care physician and that type of thing.

(03:26):

My emergency department became the front door to healthcare during that time, and emergency medicine has continued to do that in a big way. So what we've seen now though is that in the post-COVID era, we've seen nurse practitioners, physicians, assistants, nurses, even ancillary healthcare professionals like chiropractors and dentists who have a scope of practice who can really meet patients where they're at and deliver care, have the ability with technology to do so. However, the system wasn't ready for it. So from a compliance oversight standpoint, how do you do that safely? How do you do that within the correct scope of practice where you're not stepping outside the bounds of your license?

Geoff Cockrell (04:00):

Is your solution a technological solution? Is it a staffing solution? How would you describe it?

Christopher Seitz (04:06):

How do you navigate that when every state has a different rule or regulation around who can practice what and where and how? So that's really what we've stepped in to fulfill is helping healthcare practitioners and healthcare business owners navigate that kind of ever-changing ecosystem of healthcare compliance and governance to be able to give them a path forward so that they can do what they do best, which is deliver care to patients.

Geoff Cockrell (04:28):

John, there's a lot of interest in GRC generally. What do you find compelling about the Guardian solution and how do you think about GRC as a sector for investing generally?

Christopher Seitz (04:40):

We're a platform-based company, so clients essentially register onto our platform, but we're not just SaaS, we have a robust service environment that happens behind the scenes there. We don't really just do staffing, but we do essentially manage services, if you will, empowered with the technology that we hold. So we do telemedicine oversight, we bring in physician oversight, physician owners, collaborative physicians for nurse practitioners, and really the full framework of each regulatory piece that needs to be fulfilled to launch and scale a successful healthcare entity. We provide that always through a compliance first lens, and it's all empowered by our proprietary IP and technology.

John Bradburn (05:17):

When we started looking into mid-level providers as part of our thesis, I spoke to one of my best friends who was chief operating officer for an IV hydration business, and he kind of cued me in on pain that is, every state they were in (they were private equity backed in I think seven or eight states) has different rules, protocols, procedures. They had one kind of in-house physician, but he wasn't licensed in all of the states. And so it was a quagmire of trying to figure out how to manage this stuff at scale. So that kind of cued me in on, all right, compliance and oversight is a pain for all of these somewhat consumer-focused healthcare solutions. And so we started digging and he was the one who said, "Guardian is the best solution we have." [inaudible 00:05:58] the times a few years ago, they weren't in every state.

(06:00):

If they're in the state we're in, we're using them because their platform allows us to see all the activities. So did we review the right percentage of charts? Did we handle all the communications between the nurse practitioner and the physician properly? And so that was kind of an aha moment, which is, all right, this consumer-focused healthcare delivery is going to continue to expand. How do you do it in a safe, compliant, effective way? The kind of old systems and one-off matching really wasn't working. You needed a robust infrastructure. And that's why I reached out to Chris, we talked through our vision for the market and company would be, and there's just tremendous alignment between the two of us and so that's why we decided to partner, I guess, 15 or 16 months ago. But it was this kind of evolution of our thesis over time looking at mid-level providers and realizing as they do more, you need more compliance and oversight that really wasn't designed for today's ecosystem when it was initially put in place.

Geoff Cockrell (06:52):

Chris, I've had a lot of conversations recently about the role of AI in navigating complex ecosystems in healthcare, and certainly AI will play a role in navigating the system where you operate. How do you think of the role of AI and do you see it as opportunity, threat, or a little bit of both? How are you thinking about that?

Christopher Seitz (07:15):

Right now I see it as massive opportunity. And the reason for that is that to do... I came out of the emergency medicine field, so I was used to remote medical oversight because I did EMS. So our entire EMS system is delivered through the hands of paramedics and EMTs who are overseen by physicians who many times they don't even ever meet. They call into the hospital for orders, they operate off of protocols. That's a data game. There's a lot of medicine that can be automated. There are a lot of outcomes that can be measured and protected. And I think AI has a massive opportunity to actually really expand what we're doing here at Guardian from a medical oversight standpoint. I mean, we do everything first through the lens of compliance and protecting the clinician.

(07:53):

One of the biggest threats to, I think, clinician licensure today has a lot less to do with practicing bad medicine. We're all trained to practice very well. We're all lifelong learners. We're in the books. It's all the data we have to navigate. It's all the different endpoints and algorithms. And what about all the insurance billing requirement? It becomes a compliance nightmare even for a clinician to navigate half the time when again, we're trained just to deliver good care.

(08:17):

So I think AI has a massive opportunity to allow us to provide medical oversight at scale in a much larger capacity than we even are today. And that's why we built the platform that we built because we kind of saw that coming even before the AI. When we launched five years ago, we always said, "Hey, at some day there's a world where the technology can do better medical oversight than I can do as a physician." I mean, how much better can AI look at a chart and compare it to a protocol and say, "Hey, Dr. Seitz, I just want to flag this. It looks like blood pressure parameters were out of whack," versus me having to read every single chart.

(08:50):

And the role of the physician in that only elevates and just empowers me that much more to oversee care in a much better way, I think. So I'm very excited about that. I think it's going to take some time for the regulatory bodies and the boards to accept that. So I think the physician's role continues to be this role of, at the end of the day, holding the liability to some degree, being the accountable party, being the one that can step in when the numbers don't match up, when the data doesn't tell the full story.

(09:16):

But I actually think AI is... I'm very excited about what it's doing and I think it can do in the remote medical oversight space that we're in. I think there's massive opportunity for expansion there, which at the end of the day, the reason we do what we do is because that increases access to care. We need that. I'm not seeing a day and age where everybody's got access anytime soon. So that needs to continuously be addressed and attacked, I think. And I think AI has an opportunity to help us really do that in a big way.

Geoff Cockrell (09:39):

John, we live in a world where private equity investing in healthcare is demonized unfairly. The critique usually runs along the lines of the role of private equity in healthcare undermines the three principle aims of healthcare, which is improving outcomes, improving access and controlling system cost. I do think that is a completely unfair criticism. The direction of what's important is correct, but the criticism isn't. To what extent does Elements with its investment thesis lean into looking for solutions that are improving all of those critical goals of healthcare and how does Guardian fit into that from your perspective?

John Bradburn (10:22):

It's a very topical point. You hear a lot of legislators talking about private equity's role in healthcare, and I think it comes from a good place of wanting to make sure patients are treated properly and appropriately. I think they're coming at it with genuine interest in the topic. I do think it's maligned unjustly, but for us, we're investing in high-growth smaller enterprises that we think are doing great work. So improving outcomes, doing it at a lower cost, and how can we take those really compelling models and expand them?

(10:51):

And so if we find companies like Guardian that is allowing nurse practitioners to practice at the top of their license, open up their own clinics, expand access to care, I think those are all generally good things, but we want to make sure that they're doing that in a compliant way that's treating patients the correct way. And so that's where a company like Guardian comes in is to provide that oversight at compliance. But ultimately we're trying to improve access to care, do it at lower costs and improve healthcare outcomes. And that's our ethos at Elements. And I think if we find really good models and can help grow them, that's only going to benefit the healthcare ecosystem.

Christopher Seitz (11:24):

And Geoff, if I could jump in there too, just real quick. I mean, part of the reason that we partnered with Elements, we had talked to a few other PE firms. We weren't actively looking for investment at the time or for a financial partner, but John talked about in the beginning here, when John and I met and he shared his thesis. I just remember getting excited because that was my idea too, that's my thesis as well.

(11:42):

I think it goes back to the concern is that with private equity investment that you don't have the outcomes. But you have to measure the outcomes then to prove whether or not that's true. And that was one of the things that Elements has always, I think, supported me in. And one thing that we've always done is that we actually look at the outcomes. We look at the clinics and the providers that we care for and that are on our platform and we say, "Hey, have we de-risked them? Is their compliance

score higher than it was when they started with us? What were the adverse event outcomes of their patient?"

(12:09):

I mean, we're actually measuring these things... And I think that's so important because I think Elements was one of the only people that I talked to who actually asked those questions. Instead of looking at just, "Hey, what's revenue? How fast are you bringing on new clinics?" They actually cared about, "Okay, well, what services are actually being delivered within the clinics that you're serving? What types of practitioners are being supported?" I think that there's a huge opportunity to better outcomes, but you've got to measure them first. I was surprised to see how many potential partners out there weren't even willing to ask the questions around outcomes when Elements had a focus of that and a thesis for that is what really drew us together.

Geoff Cockrell (12:44):

Chris, as you look at the markets that you conserve from compliance solutions for practitioners, the regulatory gaze kind of follows investment. And one of the areas that is getting a lot of investor attention is the whole array of business models that are around wellness, functional health, longevity, things like that. What kind of role does Guardian play in those emerging markets where regulatory oversight is also emerging?

Christopher Seitz (13:16):

I think those things are hand in hand. I think some of the scrutiny that private equity and investment groups are getting is because there is a focus on these novel therapies and newer therapies because they're exciting because there's money to be made in them. We have to be careful that we're not naive to the fact that these are cash pay wellness. Part of the reason that the functional medicine wellness space has struggled to show patient outcomes as a whole is because you're serving healthy, well-off patients to begin with. You're not really helping... We have to be honest with ourselves as a clinician, you're not really helping the underserved or the not served. You're not really helping the chronic care conditions and the way... I think there's that component of it.

(13:54):

Where we really help though is I think is helping legitimize the medicine. And I guess what I mean by that is that there's two very different models out there. I'm going to talk about on both sides of my mouth for a second here because I just said that a lot of these models don't look at chronic disease or they don't look at the underserved, they're looking to make money off of people who want to live forever because we don't like death here in the United States, but there are those that do, and those are the ones that are actually trying to practice good medicine. And I think that's where the clinics that come to us and that come on our platform are typically trying to practice good medicine.

(14:23):

And the reason I know that is because that they're willing to come and spend money to do it the right way for us to help them build the protocols out in a safe fashion that does drive good patient outcomes, that provides the right medical oversight and the compliance framework so that they are working correctly within their license, so that they're not cutting corners, that they're not trying to sell medications, but they're trying to actually deliver care.

(14:42):

And that's really what we're good at. We come in and we really, again, by providing this compliance governance infrastructure, it allows people to practice good medicine in this booming kind of wellness. And this is where I think investment groups, and again, this is why I was so impressed when Elements asked those questions because they saw that we were working with a lot of IV hydration centers and med spas and functional medicine clinics, and they wanted to know, "Okay, but how are you really protecting them?" Not so much that, "Hey, are they paying the subscription on your platform?" But, "How do we know that they're actually in better compliance? How are we looking at these things to make sure that the outcomes actually are better, not just for the practitioners, but for their patients?"

(15:14):

And I think that's where you differentiate. Because I mean, at the end of the day, the boards and the regulators, we all should have the same goal. As a healthcare tech business, my goal should be to protect patients and better their lives and outcomes. And that's what the board was, the boards of medicine, the boards of nursing, even the Attorney General's office, that's what their job is. And I think the investment groups that see that as their job as well, like Elements where their thesis is, "Hey, where can we drive value to better patient outcomes?" Money follows that. It's not necessarily the norm. It's not necessarily maybe what everybody's focused on. And I think that's where the scrutiny comes into play.

Geoff Cockrell (15:47):

John, what's the growth strategy for Guardian? Is it new service lines? Is it new functionality of technology? Is it new markets? And within that, is it de novo growth? Is it M&A growth? What's the model for growing Guardian?

John Bradburn (16:03):

I mean, I think the market for Guardian, there's just a massive opportunity in what they're doing and just doing more of it. So if you think about the number of urgent care clinics across the US, the number of med spas that are launched, the number of consumer-focused wellness solutions that are out there, there's a massive opportunity to do that, particularly as these what are a lot of mom-and-pops become more institutionalized, private equity gets involved as owners, they see the risks of, "I'm

operating in 10 states. Each seat has its own rules of the road. I need somebody that can make that work across our ecosystem." I think there's a tremendous opportunity of partnering with some of those larger institutional customers to help them manage this so that they can sleep better at night.

(16:43):

I think the second prong is there's a lot of services that these clinics need. Oversight and compliance is certainly one, but then billing and collections. If you're launching a new clinic, you need to buy an EMR, how are you doing your supply chain? So where are you ordering if you're doing peptides or GLP-1s? How are you acquiring those? There's a ton of different solutions that these folks need that I think we can either, through acquisitions, go and buy products or things like our payments product, we can build that internally so that our partner clients and clinics can turn those on. So tremendous opportunity to increase the number of clinics we're working with. We're seeing a lot, particularly PE-backed enterprise level clients who really value this compliance solution, and then a lot of cross-sell opportunities for products that we can either develop or acquire.

Geoff Cockrell (17:27):

We can talk a little bit about ultimate buyer, where you'd fit in some other kind of platform at some point. You've talked a bit about the growth strategy and maybe the ability to branch out services into revenue cycle management type strategies. When you look at Guardian who presently has a little bit narrower of a service line, how do you think about who would be a potential ultimate buyer of Guardian and to what extent from a thesis perspective thinking about that question before you make an investment?

John Bradburn (17:59):

Before we make any investment, we always want to think about, okay, where does this company fit into the broader ecosystem to get a sense of who the strategic acquirers could be? So it's every investment we make, we have that. Now, are we right all the time? Not at all, but I think we want to have an expectation going in. In this case, the view was, I know we just talked about the growth opportunities, it's expanding the clinic count and then expanding the products and services and almost building an MSO for NP or RN-led clinics. And so who could be interested in that company and solution and size?

(18:32):

There've been a lot of large MSO players that have built around behavioral health talk therapy that could say, "Hey, I want to get into some of this consumer-focused wellness. I want to get into urgent care, primary care." I think that's one angle for the strategics.

(18:46):

I think ultimately to our point, there's a lot of products that these clinics are buying and so there's likely private equity buyers that are maybe a click bigger than us that would look at what we have and

say, "Okay, now I want to go acquire something that's managing the supply chain or managing the lab ordering solutions for some of these integrative health medicine." We're going to do a fair amount of that, but there's going to be more extension of the product line that another sponsor could take and run with. So I don't know, Chris, if I'm missing any of the big categories, but I think hopefully we're building a valuable company product solution set that I think a bunch of different kinds of buyers could find quite valuable.

Christopher Seitz (19:22):

There's an interesting potential thesis there. I mean, there's a lot of healthcare investment that went into value-based care, some of these bigger physician MSO roll-up platforms, you think Privia Health, these types of places. We don't work with physician practices. We work with practices who need the physician oversight and infrastructure to increase access to care. So I think there would be an interesting play there for a company that has been doing physician practice acquisition at scale and done that well to then say, "Hey, there's a whole nother market of non-physician run and managed entities that really could differentiate and expand out some of these more expansive models that have already been proven out." It'll offer a really cool opportunity both for us and for a potential partner in the future here.

Geoff Cockrell (20:08):

John, you know I have tons of respect for Elements and Chris is great to hear about Guardian. I think we'll end it there. This has been a ton of fun. Thank you both for joining.

Voice Over (20:22):

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.