

Private Equity Investing in Healthcare – 13 Hot and 4 Cold Areas

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PRIVATE EQUITY INVESTING IN HEALTHCARE – 13 HOT AND 4 COLD AREAS

Healthcare reform, the debt crisis and the continual regulatory changes that characterize the healthcare and life sciences industries have created certain shifts in the prospects of healthcare investments. This article briefly outlines 13 areas within healthcare in which private equity is still aggressively investing and several areas where things have slowed down.

1. **Hospitals and Health Systems.** Hospitals and health systems seem to fit the category of “too big to fail” and are expected to enjoy relatively long term government support. In addition to investment size, funds see opportunities in the hospital industry to consolidate and to monetize investments through debt or an IPO. Therefore, a growing trend in the United States is buying large not-for-profit systems and turning them into for-profit systems.¹ Also, each large private equity fund appears to be investing or attempting to invest in a chain. Since November 2010, Cerberus Capital Management has purchased six hospitals owned by the Archdiocese of Boston for \$895 million, and since then, Cerberus' Steward Health Care System has acquired four additional Massachusetts hospitals and has offered \$1.1 billion for Jackson Health System, a government-owned and financially distressed system in Miami.² Additionally, in late 2010, Vanguard Health Systems acquired the Detroit Medical Center, a nine-hospital, not-for-profit health system (the Blackstone Group owns a roughly two-thirds stake in Vanguard). The trend of investing in hospitals and health systems also extends overseas (see discussion of investments in China and India below in Section 13).

Furthermore, a growing trend of health systems investing in health systems has developed.³ In January 2011, five health systems announced they would privately invest in healthcare companies with The Heritage Group, a Nashville-based investment and consulting group; the fund set its fundraising target at \$200 million.⁴ Roughly one month later, Ascension Health, the nation's largest Catholic health system, and Oak Hill Capital Partners announced the formation of Ascension Health Care Network, a fund to invest in distressed Catholic hospitals.⁵ The new fund reached its initial fundraising target of \$500,000, according to an SEC filing.⁶

Notwithstanding private equity's recent huge investment in this sector, some of the for-profit hospital chains are starting to see some headwinds due to reimbursement challenges and decreases in inpatient surgery volumes. In August, *The Wall Street Journal* reported that "Hospital companies feel the impact of deficit reduction efforts and their stock prices have fallen with concern regarding further reimbursement cuts."⁷

¹ Evans, *supra*.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ Melissa Korn and Jon Kamp, “Healthcare Companies are Infected by Severe Case of Washington Jitters,” *The Wall Street Journal*, August 2, 2011, <http://online.wsj.com/article/SB10001424053111903520204576482161446251504.html/>

2. **Hospital-Based Specialists.** The demand for hospital based specialists, including hospitalists, anesthesiologists and radiologists, continues to increase. In September 2010, the Association of American Medical Colleges estimated that a shortage of at least 125,000 physicians will occur by 2025.⁸ This increase in demand, combined with a supply shortage, has led to a growing number of funds investing in practice management companies focused on managing networks of hospital based specialists. Hospitalists (that is, doctors who are specialized in the care of patients in the hospital) can be effective in supporting hospital margins in the face of reimbursement models that pay for episodes of care rather than discrete services. In February 2011, Cogent Healthcare merged with competitor Hospitalists Management Group to form the largest private hospitalist company in the country. The deal was financed by AEA Investors, who, according to the SEC filing, purchased Hospitalists Management Group in 2010 for an estimated \$95 million. The growing demand for anesthesiologists is also fueled by the physician shortage. The aging population combined with the anesthesiologist shortage is resulting in a growing demand by hospitals and health systems for outsourced anesthesia. Finally, just as imaging technology grows in sophistication, so does the demand for radiologists. In 2010, Virtual Radiologic Corp. acquired top rival NightHawk Radiology Holdings Inc. for \$170 million. Virtual Radiologic went under private ownership in 2010 in a \$294 million sale to Providence Equity Partners.⁹ Certain of these practice management companies will likely continue to attract investors even in the face of downward pressure on reimbursement generally.
3. **Ambulatory Surgery Center Chains.** There continues to be significant interest in the ambulatory surgery business. However, investors seem to be more interested in Ambulatory Surgery Center (ASC) chains with a specific focus, e.g. pain management, orthopedics, or spine, than in general surgery chains. While the ASC industry faces certain challenges, tremendous consolidation opportunities and significant cost benefits associated with moving surgeries from inpatient to outpatient venues exist. In the last 24 to 36 months, TPG Capital invested in Surgery Centers of America and H.I.G. Capital invested in Surgery Partners. One year later, in January 2011, Surgery Partners then bought NovaMed, AmSurg Corp. bought National Surgical Care and LLR Partners invested in a platform of fertility driven ASC businesses. The key challenge ASCs will face is remaining profitable with downward pressure on reimbursement, particularly as the revised ASC standard rate-setting methodology took effect on Jan. 1, 2011. Ultimately, in 2011, ASCs will likely receive only 56% of what hospital outpatient departments receive for providing the same services.¹⁰
4. **Healthcare Information Technology (HCIT) and Mobile Health (mHealth).** The amount that large health systems spend on HCIT remains incredible. In addition to government automation mandates in the form of Medicare reimbursement cuts for providers that fail to automate, HCIT remains a solid investment because of its ability to create the efficiencies that are necessitated

⁸ Kevin B. O'Reilly, "New medical schools open, but physician shortage concerns persist," *amednews.com*, March 29, 2010, <http://www.ama-assn.org/amednews/2010/03/29/prl20329.htm>.

⁹ Sam Black, "Virtual Radiologic Corp. to be acquired by private equity firm for \$294M," *Minneapolis / St. Paul Business Journal*, May 17, 2010, <http://www.bizjournals.com/twincities/stories/2010/05/17/daily3.html>.

¹⁰ ASC Association, "Medicare's 2011 Payment Rates — Are You Prepared?," *FOCUS*, November/December 2010.

by new reimbursement models such as payment bundling, accountable care organizations (ACOs) and medical homes. “There have been 297 announced or completed acquisitions of medical software companies in the past five years, with an average deal size of \$127.6 million and a typical premium of 45 percent, according to data compiled by Bloomberg.”¹¹ According to Lisa Suennen, founding partner of Psilos Group Managers, “HCIT is once again the darling of the investment community.”¹² Suennen notes that healthcare IT investing is again all the rage and notes five major economic drivers, including the passage of the HITECH Act and healthcare reform.¹³ *Modern Healthcare* also opined that “[h]ealthcare information technology, a significant strategic and capital priority in recent years, or services to manage spending or reduce medical errors or hospital readmissions are expected to be among the winners.”¹⁴ Andy Cowherd, managing director of the Peter J. Solomon Company, predicts in *peHub* that big payors and IT outsourcers may also benefit from healthcare reform because they may have the ability to handle the claims processing and recordkeeping for all of the people entering the system through Medicaid and insurance exchanges.¹⁵

Some of the hottest areas of investment in this sector are in mHealth companies, data mining and analytics, speech recognition and revenue cycle improvement technologies. Venture capital investment in mHealth technologies have been strong and continue to gain momentum. Certain mHealth technologies connect providers and patients to provider-based EMR systems, while others may stand alone or connect to payors, medical devices or other individuals. Given the nascent age of the industry, many mHealth investments are by venture capitalists in relatively small technology companies. *Mobihealthnews.com* reported that in the first quarter of 2011, investors announced or disclosed to the Securities and Exchange Commission nine investments in various mobile and wireless health startups.¹⁶ Investors also have opportunities to capitalize in data analytics and data mining companies. Hospital electronic medical records systems, Medicare, Medicaid and health insurers are compiling an enormous amount of health data, which is not currently being used effectively to achieve physician decision support, cost savings and better patient outcomes.

5. **Chronic Disease.** Increasingly, and as a recurrent theme, a huge amount of healthcare dollars are spent on chronic diseases, including asthma, diabetes, and COPD. In a May 2011 Healthcare Financial Management Association article, Harvard Business School professor Regina E. Herzlinger opined that clear opportunities exist for hospitals to reduce costs, mostly in chronic disease

¹¹ Alex Nussbaum and Jason Kelly, “Blackstone Group Agrees to Acquire Medical-Biller Emdeon for \$3 Billion,” Bloomberg, August 4, 2011, <http://www.bloomberg.com/news/2011-08-04/blackstone-to-buy-health-care-biller-emdeon-in-deal-valued-at-3-billion.html>.

¹² Lisa Suennen, “The Second Coming of Healthcare IT,” *Venture Valkyrie*, July 26, 2011, <http://www.venturevalkyrie.com/2011/07/26/the-second-coming-of-healthcare-it/2468/>.

¹³ *Id.*

¹⁴ Melanie Evans, “Building Equity,” *Modern Healthcare*, May 2, 2011, <http://www.modernhealthcare.com/article/20110502/MAGAZINE/110429981>.

¹⁵ Posting of Andy Cowherd to *PEHub*, March 23, 2010, <http://www.pehub.com/67023/what-does-healthcare-reform-mean-for-healthcare-investing/>.

¹⁶ Brian Dolan, “The 9 wireless health investments so far this year,” *MobiHealthNews*, April 14, 2011, <http://mobihealthnews.com/10721/the-9-wireless-health-investments-so-far-this-year>.

and disabilities that are typically mistreated.¹⁷ These opportunities are increasingly desirable as payment for hospital services begins to shift from traditional fee-for-service to episode-of-care based reimbursement. While chronic disease has not become an investment focus in its own right, there is tremendous interest from investors in companies with device, drug and HCIT technologies that can enable providers to realize the savings associated with successfully treating chronic conditions. Examples of chronic disease investments include Symmetric Capital's acquisition of a minority investment in BioRx, a national specialty pharmacy that provides customized therapies for chronic disease, in November 2010; and in March 2011, medical device company Veniti announced that it raised \$13.5 million in Series A financing to acquire two additional medical device companies and began to commercialize multiple products focused on treating chronic venous disease. Investments in this space are not limited to the U.S. In February 2011, U.K.-based medical device company Cellnovo raised £30 million (\$48.4 million) in a Series B financing round led by Edmond de Rothschild Investment Partners. Cellnovo develops and manufactures a mobile diabetes management system.

6. **Cancer and Oncology Driven Care.** A tremendous amount of money is being invested in oncology related products and services. Certain of these are in the radiation therapy sector, and others are in infusion therapy and physician practice management. On July 5, 2011, Kohlberg & Company announced it had acquired e+CancerCare, an operator of 16 outpatient cancer care centers. These centers provide services including radiation therapy, chemotherapy and PET/CT imaging in six states. An alternative trend within radiation therapy is the growth of proton therapy centers. In February 2011, ProCure Treatment Centers, an operator of proton therapy centers, announced that it completed a \$40 million round of private equity financing led by Maverick Capital for continued development and growth. These centers are generally structured as joint ventures with hospitals, health systems and physicians.
7. **Hospice Sector.** Private equity investors have displayed a renewed interest in the hospice sector. The hospice sector is benefiting from an aging population and also remains ripe for consolidation. According to a study by The Braff Group, hospice deal volume continues to roll with 10 transactions completed in the first quarter of 2011, equaling the second best quarterly tally posted in the fourth quarter of 2009.¹⁸ The Braff Group predicts that with so many favorable market conditions aligned in hospice's favor, this trend is expected to continue throughout 2011, unless a reimbursement change or stumble by a high-profile provider bursts the current hospice bubble.¹⁹ Examples of deals in this space include Apax Partners' investment in Voyager HospiceCare in 2004. Apax subsequently sold its stake in Voyager, a large U.S. provider of hospice and home health services, to Harden Healthcare in 2010. Cressey and Company has also made several investments in the home health and hospice sector. Cressey has invested in companies such as hospice campuses, which encompass home health and hospice care, and Homecare Homebase, a provider of home health and hospice agency computer software.

¹⁷ Jeni Williams, Healthcare Financial Management Association, "A New Road Map for Healthcare Business Success," May 2, 2011, <http://www.hfma.org/Templates/InteriorMaster.aspx?id=26425>.

¹⁸ The Braff Group, "Health Care Service M&A Activity Up 9.2%," *Perspectives*, 2011 first quarter, <http://www.thebraffgroup.com/Articles/articlespdfs/perspectives/Q12011.pdf>.

¹⁹ *Id.*

8. **Dental Practice Management.** We have seen many deals in the dental practice management space over the past five years. Dental practice management companies generally handle the business and administrative duties of running a dental office. The dental care industry is comprised mostly of group practices and sole practitioners that operate offices with significant capital and operating costs. The dental practice management model provides significant benefits to these providers and private equity funds have recognized the opportunity and have invested in this sector. According to a report by Dr. Thomas A. Climo, titled “Emergence of the Dental Practice Management Company” published in *Dental Economics* magazine, “large dental practice management companies have put their hat in the private equity ring . . . and have found an accepting and willing avenue for funding their operations both as start-up or growing those operations through acquisition.”²⁰ Dr. Climo further notes, “[a]s health care becomes increasingly expensive, increasing competition in the solo practitioner industry continues and regulatory requirements increase, it is expected that this trend [of dental practice management companies running dental offices] should continue.”²¹ Examples of investment in this space include American Capital’s investment in Dental Practice Management Company, Arcapita Bank’s acquisition of FORBA, and Freeman Spogli’s acquisition of a majority interest in Bring Now! Dental. In addition, in August of this year, Coast Dental Services acquired SmileCare, which is backed by Liberty Partners. This sector does face certain challenges. Notably, certain states seem to have grown cautious of the “corporate” model of practicing dentistry. These states may attempt to create roadblocks to the dental practice management model through various regulatory mechanisms, including Medicaid program participation rules and corporate practice of dentistry and dental clinic licensure laws.
9. **Wound Care.** The wound care sector is generally comprised of medical supply and outpatient wound care management companies. A variable explosion of private equity investing in wound care firms has been occurring. Apax Partners bought Kinetic Concepts for close to \$5 billion dollars, Edgewater Funds invested in Wound Care Solutions (also known as Diversified Clinical Services), Metalmark Capital Partners invested in National Healing Corporation, and finally, in 2010, Cressey and Company acquired Wound Care Specialists. Bourne Partners, which focuses on life sciences investments and has invested in this space, attributes the growth in this sector, in part, to an aging population and the increased incidence of diabetes.²²
10. **Rehabilitation and Addictive Treatment.** Private equity has made clear that a huge market in addiction treatment companies exists. In July 2011, for example, Greenwich, Conn.-based Clearview Capital invested in Pyramid Healthcare, which runs a chain of addiction clinics and halfway houses. Announcing the deal, a Clearview executive noted, “[u]nfortunately, the fundamental driving the business is that drug and alcohol abuse is growing.”²³

²⁰Thomas A. Climo, Ph.D., “The emergence of the dental practice management company,” *Dental Economics*, September 2009, <http://www.dentaleconomics.com/index/display/article-display/369523/articles/dental-economics/volume-99/issue-9/features/the-emergence-of-the-dental-practice-management-company.html>.

²¹ *Id.*

²² Bourne Capital Partners, LLC, *Advanced Wound Care – Sector Report*, August 2008, <http://www.bourne-partners.com/FileLib/Wound%20Care%20Update.pdf>.

²³ Rob Varnon, “Addiction clinic draws Greenwich private equity firm,” *Connecticut Post*, July 11, 2011, <http://www.ctpost.com/news/article/Addiction-clinic-draws-Greenwich-private-equity-1461692.php>

Paul Schatz, president and chief investment officer of Woodbridge, Conn.-based Heritage Capital, also notes that "[i]n more difficult times, drug and alcohol addiction go up." Also this year, both Bain Capital and Advent International reportedly bid on RBS' Priory Group based in England with Advent eventually agreeing to a deal.²⁴ The Priory Group of rehabilitation centers are the most well known in the U.K. Bain also invested in marquee name Sierra Tucson a few years back. Separately, American Capital bought for \$79 million The Meadows of Wickenburg, a well-known treatment facility. State Medicaid programs cover much of the cost of treatment in drug and alcohol abuse clinics.

11. **Physical Therapy.** Investors have been, and continue to be interested in the outpatient physical therapy business. Physical therapy companies with a healthy payor mix and diverse referral base are attractive to private equity funds. In general this sector is doing well partially because payors are demanding that physicians first refer to physical therapists rather than refer cases for surgery due to cost containment efforts – this applies both to private payors and workers compensation. Examples of deals in this space include Water Street Partners, who in 2007 acquired Physiotherapy Associates from Stryker Corporation and shortly thereafter, facilitated a merger with Benchmark Medical to create a large presence in the physical therapy space. In addition, in July 2011, Ontario Municipal Employees Retirement System, Toronto (OMERS), acquired physical therapy provider Accelerated Holdings from Gryphon Investors who bought Accelerated in March 2008.
12. **Revenue Cycle Companies (RCM).** According to Duff & Phelps, "RCM providers are attractive investment opportunities for both strategic and financial buyers."²⁵ Duff & Phelps further notes that "Strategic buyers are actively seeking acquisition candidates that expand their RCM offerings to create end-to-end customer solutions."²⁶ However, the opportunities for automated RCM solutions are at the expense of the hard core revenue cycle management companies that actually have people doing the work of revenue cycle management. According to Duff & Phelps, "automation results in a permanent shift from labor to capital and significantly reduces variable cost to healthcare providers."²⁷ The RCM industry has been subject to widespread consolidation in recent years. Duff & Phelps published a sample of RCM companies that are owned by private equity funds – a list that is 160 deep.²⁸ Recently, *The Wall Street Journal* reported that Blackstone Group agreed to buy Emdeon for about \$3 billion, taking the healthcare billing firm private again after two years as a public company.²⁹
13. **Certain Overseas Markets.** An increased interest in investing in healthcare projects in China and India exists. *The China Daily* recently reported that investment in private hospitals recently became increasingly popular among venture capital and private equity firms as a result of policy incentives and the

²⁴ *Id.*

²⁵ Duff & Phelps, *Industry Insights, Healthcare Services: Revenue Cycle Management*, summer 2010, http://www.duffandphelps.com/sitecollectiondocuments/reports/Healthcare_RCM_June2010.pdf.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ Shasha Dai, "UPDATE: Blackstone To Acquire Emdeon For \$3 Billion," *The Wall Street Journal*, August 4, 2011, <http://online.wsj.com/article/BT-CO-20110804-719221.html>.

huge potential in China.³⁰ *The China Daily* reported that five different medical institutions have recently received about 500 million yuan (nearly \$80 million) in private equity and venture capital investments.³¹ Bain observed in its *India Private Equity Report 2011* that India's fundamentals will continue to attract PE investors and bolster the confidence of limited partners.³² However, Bain also noted that the biggest barrier holding India back is the lack of regulatory support.³³ Bain reported that in 2010, healthcare PE deals that closed in India were valued at \$0.6 billion, but that deals that closed represented just 1% of companies attracting PE interest.³⁴ Survey respondents voted healthcare as one of the top three sectors in India for investing during the next two years (BFSI and consumer products were also in the top three).³⁵ On the forefront, in 2007 Apax Partners purchased an 11.5% stake in Apollo Hospitals, a leading hospital chain in India.

While certain areas are hot, some areas seem to be slowing down significantly.

1. **Home Health.** A hospital executive recently remarked that nearly 420 new Medicare certified home agencies or hospice agencies are within one mile of its hospital. Despite this huge volume of companies, flat reimbursement from Medicare and an increasingly negative tone regarding rates from MedPac have led to a decrease in deals in this space. According to The Braff Group, Medicare certified home health transactions plunged 50% in the first quarter of 2011 as buyers and sellers alike turned inward to respond to 5% reimbursement cuts that became effective January 1.³⁶ The Braff Group predicts that with CMS and MedPAC calling for further reductions, the sector is subject to substantial risk overhang, which has made buyers extremely cautious.³⁷ In addition to reimbursement woes, CMS' "36 month rule" has impeded consolidation in this sector. The "36 Month Rule" is applicable to home health agencies that participate in the Medicare Program, impacts a change in majority ownership of an agency by sale, which occurs 36 months after (i) the agency's initial enrollment in Medicare, or (ii) the agency's most recent change in majority ownership. In such situations, unless an exception applies, the agency's Medicare Provider Agreement and Medicare billing privileges do not convey to the new owner and the new owner must instead enroll in the Medicare program as a new home health agency and obtain a state survey or accreditation. Excluding a surge in deal flow in the third quarter of 2010, Medicaid home health has averaged one to two deals per quarter since the end of 2008.³⁸
2. **Nursing Homes.** *The Wall Street Journal* reported that nursing homes were the biggest losers among healthcare providers following the agreement to raise the debt ceiling.³⁹ CMS announced it would drop nursing-home payments by

³⁰ Cai Xiao, "Medical Investment is Just What the Dr. Ordered," *China Daily USA*, July 16, 2011, http://usa.chinadaily.com.cn/epaper/2011-07/16/content_12916287.htm.

³¹ *Id.*

³² Bain & Company, *India Private Equity Report 2011*, April, 2011, <http://www.bain.com/publications/articles/bain-india-private-equity-report-2011.aspx>

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ The Braff Group, "Health Care Service M&A Activity Up 9.2%," *Perspectives*, 2011 first quarter, <http://www.thebraffgroup.com/Articles/articlespdfs/perspectives/Q12011.pdf>.

³⁷ *Id.*

³⁸ *Id.*

³⁹ Korn and Kamp, *supra*.

11.1% in response to unexpected increases in payments this fiscal year, after the agency had tweaked coverage rates last year.⁴⁰ Similarly, state Medicaid programs are limiting payment increases. The cuts had an immediate negative impact on the market value of operators Sun Healthcare Group, Skilled Healthcare Group and Kindred Healthcare. Gary Taylor, a Citigroup analyst, said, "It's difficult to qualify a level at which we would be buyers of nursing home stocks after the worst possible scenario for reimbursement rates."⁴¹

3. **Life Sciences.** Some concern seems to exist regarding investment in life sciences companies. *The Wall Street Journal* observed in the wake of the agreement to raise the debt ceiling, "medical device companies [in addition to nursing homes and hospitals] were also feeling the heat."⁴² Medical-device companies have been under pressure from aggressive hospital bargaining. In addition to pricing issues, the FDA's plan to revamp the 510(k) process, combined with the IOM's recommendation that the 510(k) process is beyond repair and the FDA should just start over,⁴³ has done little to quell the uncertainty in this sector. However, as noted above, certain device companies, including those focused on chronic disease management and wound care, continue to receive interest from investors. In terms of biotech, the industry faces a fair degree of uncertainty due to factors such as healthcare reform, barriers to early-stage financing of innovation, and an increasingly hostile reimbursement environment. According to Preqin, an independent research firm focusing on alternative assets, "[a] number of investors in biotechnology are approaching investments in the private equity asset class on opportunistic basis."⁴⁴ While investments in biotech have slowed over recent years, an appetite for investments still exists in this space. EisnerAmper's private equity executive's survey for spring 2011⁴⁵ reported that 38% of respondents showed interest in life sciences/biotech (compared to 81% who expressed an interest in healthcare).⁴⁶
4. **Imaging.** Investment in the imaging sector has slowed in recent years. The Deficit Reduction Act created deep reimbursement cuts for diagnostic imaging centers. The DRA cuts, together with an overbuilt sector, led to decreased investment during the later half of the last decade. In addition, according to RadNet, a large operator of freestanding diagnostic imaging facilities, imaging volumes are down for the first time in 10 years.⁴⁷ RadNet cites concerns over

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ See Institute of Medicine of the National Academies, *Medical Devices and the Public's Health: The FDA 510(k) Clearance Process at 35 Years*, July 29, 2011, <http://www.iom.edu/Reports/2011/Medical-Devices-and-the-Publics-Health-The-FDA-510k-Clearance-Process-at-35-Years.aspx>.

⁴⁴ Posting of Bogusia Glowacz to Preqin Blog, "LPs Investing in Biotechnology-Focused Private Equity Funds," August 2, 2011, <http://www.preqin.com/blog/101/4022/biotechnology/>.

⁴⁵ The 107 respondents, all from funds, were primarily general partners as well as managing, executive and other directors (62 percent). The other respondents were a cross-section of principals, CFOs, COOs and vice presidents, among other senior positions.

⁴⁶ EisnerAmper, *The Pulse of Private Equity, Private Equity Executives Survey*, spring 2011, http://www.eisneramper.com/uploadedFiles/Resource_Center/Articles/Articles/EisnerAmperPulse_Spring2011.pdf.

⁴⁷ RadNet Inc., Investor Presentation, June 2011, http://www.radnet.com/pdf/investor_presentation.pdf.

radiation exposure, the prevalence of radiology benefit managers, and decreases in visits to primary care and specialist physicians in the last 12 months as causes of these volume decreases.⁴⁸ However, despite its challenges, the sector is highly fragmented and, with the exception of certain dominant regional chains, is ripe for consolidation. RadNet opines that small provider's fear of survival is driving acquisition multiples downwards and observes that these operators are struggling because of increased cost structure, lack of leverage in network contracting and limited access to capital.⁴⁹

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⁴⁸ *Id.*

⁴⁹ *Id.*