

SCALE Case Study

# Sell-Side Preparedness: Market Study & Business Plan Validation

## Client Profile

**Size**

17 providers

**Location**

TX

**Specialty**

Pain Management

## Services Deployed



### Market Research



### Payer & Regulatory Research



### MSO Strategy Consulting



### Business Analytics

## Overview

SCALE was engaged by a pain management MSO, in collaboration with a sell-side investment bank, to perform a market study and business plan validation assessment. The Company's business model was centered around a differentiated MSO partnership model targeting and custom-tailored to service the specific needs of community hospitals.

The Company's innovative business model presented compelling growth opportunities but represented a unique approach to servicing the market. As such, key objectives included:

- + Validating demand for the Company's services amongst key market stakeholders including payers and community hospitals
- + Evaluating payer and regulatory reimbursement trends that could support the Company's value proposition and / or result in pending business headwinds
- + Analyzing the Company's business plan, target growth plan and supporting financial model to prepare for go-to-market process and prospective buyer diligence

## Execution

- + SCALE deployed its market & payer research and consulting teams
- + Client needed report delivered in six weeks
- + SCALE developed a detailed market & payer research approach based on broad knowledge of the payer landscape and different sites of service
  - + In depth discussions with payer representatives and relevant industry experts
  - + Review of all CPT codes by provider and site of service
  - + Review of reimbursement characteristics for professional and facility claims
- + SCALE leveraged its relations in the industry and payer space to assess long-term viability of mode
  - + Researched historical precedent for moving cases to HOPD under 100% hospital ownership
  - + Assessed likelihood of push-back from payers
  - + Reviewed current landscape relating to pain management and considerations from payers regarding evaluation of utilization levels for particular services
- + SCALE developed a bottoms-up model on a provider basis, based on their CPT codes, practice patterns and sites of service
  - + Assessed reimbursement levels under various scenarios (HOPD, ASC and office), as well as hybrid scenarios
  - + Stress tested acuity of pain management cases and provider location to ascertain assumptions for what could be performed at an HOPD site
  - + Reviewed management service agreement, HOPD profitability, and profit to Client's business based on its underlying cost structure

## Results

- + Developed thoughtful presentation that could be used by Client as a document for discussion with potential private equity buyers
- + Summarized key insights from market & payer research to support the Company's value proposition
- + Augmented the Company's business plan & financial model to provide clarity on the potential of the business model and align the Company's business model with key findings of SCALE's analysis and market & payer research
  - + Quantified potential profitability based on current footprint, as well as revenue and profitability under different site of service assumptions
  - + Developed and articulated an optimum strategy for number of HOPDs and allocation of providers under current footprint
  - + Created parameters for future HOPD partnerships and necessary location and demographics of new providers