



**VERALON**<sup>®</sup>

TRANSFORMATIVE HEALTHCARE CONSULTING

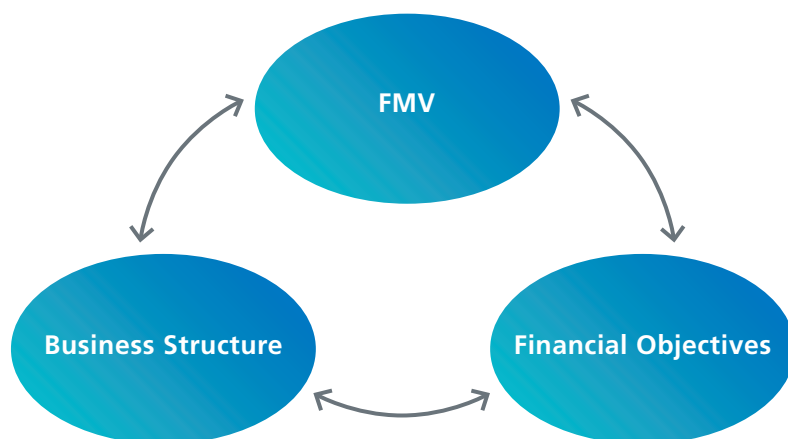
## Do You Have the MSA Design to Assure Your Investor-Owned MSO is Successful?

The investor-owned Management Services Organization (MSO) model offers significant advantages to investors, practices, and physicians. Yet creating a business structure that meets operational and economic objectives while complying with regulations can be quite a balancing act. Counsel can guide you through the regulatory quagmire, but you also need valuation expertise to meet business objectives while staying compliant.

**Veralon can help.** We've worked on investor-owned MSO structures across the country and can quickly complete valuation and address structural issues that may impact value. We can also help to maximize the transaction economics. Veralon can:

- Assure that your MSA is FMV compliant and appropriately addresses federal and state laws and requirements
- Create a mechanism to ensure that the MSA remains compliant during periods of expansion
- Assess quality of earnings for transaction support, so you can be sure your purchase price is commensurate with revenue reliability
- Establish a compliant provider compensation model that reflects your goals, values, and economic expectations

### Framework for Development of Investor-Owned MSO



### WHY VERALON?

Veralon has opined upon thousands of complex arrangements and worked with numerous investors to apply the investor-owned MSO and professional corporation model in states where corporate practice of medicine is an issue. We have extensive experience:

- With MSOs of all sizes and stages in business cycle (including MSOs backed by private equity) in 22 states
- Valuing services provided under agreements between management services entities and managed professional services entities
- Working with outside counsel in transactions and MSO development
- Helping organizations design compensation models to meet goals, and address regulatory concerns, FMV, and future growth
- Applying innovative approaches to keep financial arrangements in compliance while meeting management expectations

Our certified valuation experts prepare detailed analyses and documentation in accordance with NACVA guidelines. Veralon is skilled at working in the heat of deal development.

## Veralon can assist you in structuring and valuing an MSA that conforms to FMV and corporate practice of medicine requirements, and in other related services

### **Assure FMV Compliance for the MSA**

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To assure that payment for the services provided under the MSA is both consistent with FMV and best meets your economic objectives, Veralon will work with you and counsel to:

- Assure that services provided under the MSA are consistent with regulatory guidance and corporate practice of medicine regulations in laws
- Maximize the value of the services and thereby the management fee
- Consider regulatory guidance to identify all resources, services, and business processes that can legally be provided by the MSO
- Use underlying cost and indications of market profitability to determine the FMV of the MSO's services to the practice

### **Develop Flexible Payment Mechanisms that Allow for Growth and Reflect Regulatory Guidance**

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Veralon will develop approaches to maintain FMV compliance even when MSO services must increase as practices grow and practices are added. We will:

- Consider variable fee structures that allow management fees to change as size, scope, and services change.
- Work with you to create processes and procedures and to facilitate compensation changes as new practices are added
- Take into account federal and state laws regarding corporate practice of medicine, and the definition of professional services, fee splitting, anti-kickback, and other factors which may impact the structure of payment under the MSA.

### **Design Provider Compensation Model**

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Veralon will help design a compensation model that reflects the organization's goals, values, and the totality of the transaction. We will:

- Establish goals for physician compensation, through discussion with you and practice leadership
- Develop a model or models to meet those goals
- Test impact of model(s) on compensation of individual physicians, on practice profitability, and on MSO profitability where relevant

### **Assess Quality of Earnings for New Investment Opportunities**

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For new investments, properly established management fees can make or break the deal. We can:

- Work with you to assure that the MSO's revenue represents a sound investment
- Work with you and your counsel to assure that the services provided under the MSA are structured in a way to best meet your business objectives