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Pinnacle completes two deals

Anesthesiology group becomes one of the largest in the nation

BY JOYCE TSAI / STAFF WRITER

Pinnacle Consultants Management Services LP has completed acquisitions that will give it about 770 anesthesia providers, making it one of the largest anesthesiology group practices in the nation.

The Dallas-based doctors group finalized its purchase of Pennsylvania-based A Haverford Anesthesia Associates and a joint venture with Maine-based Spectrum Medical Group earlier this month, giving Pinnacle a reach that now extends into the mid-Atlantic and New England states.

Haverford, which provides service in Pennsylvania, New Jersey and Delaware, has about 215 anesthesia providers, including 110 physicians and 95 certified registered nurse anesthetists. Spectrum Medical Group has about 165 physicians specializing in anesthesiology, radiology or pathology in Maine, New Hampshire, Vermont and Massachusetts.

With the moves, Pinnacle Consultants, which typically does business



JAKE DEAN

PARADIGM SHIFT: Historically, the largest anesthesiology groups in the country have only about 100 doctors and nurses, says Dr. Michael Hicks, president and chief medical officer of Dallas-based Pinnacle Partners in Medicine.

as Pinnacle Partners in Medicine, will provide services at more than 130 hospitals, ambulatory surgical centers and other medical centers nationwide, according to John Adessa, CEO and co-founder of Pinnacle Consultants. He declined to disclose terms of either deal.

The moves are part of Pinnacle's ambitious expansion strategy, and they outline a new, more collaborative business model for specialty

physicians groups that transcends the geographic barriers that have historically kept such marriages from consummating.

"We saw a national opportunity to go ahead and expand what was already a good model in how we deal with hospitals and patients," Adessa said. "It is our hope to create a national physician-owned organization that will bring together hospital-based services of anes-

PINNACLE: Physicians group's growth offers new model for expansion

sia, radiology and pathology across the nation.”

Bigger as better

Large physicians groups benefit from economies of scale, improved physician recruitment, professional advancement opportunities and an enhanced ability “to level the playing field when negotiating with payers,” Adessa said.

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For example, sharing the costs of Pinnacle’s management services company, where about 250 administrative support staff in Dallas provide such services as billing, coding and credentialing, helps dilute overhead costs, Adessa said. Pinnacle will be looking to hire up to 50 additional staff, principally in the areas of clinical management, finance, payment processing and information technology.

Also, Pinnacle’s ability to call itself one of the largest anesthesiology groups in the nation gives the company better leverage when negotiating contracts with insurance companies and hospitals, which have also consolidated.

“Once they consolidated, they achieved economies of scale, and they also achieved better leverage when negotiating contracts — and the same thing holds true for us,” Adessa said.



JAKE DEAN

FOCUSED GROWTH: Larger physicians groups can benefit from economies of scale, improved physician recruitment and more negotiating power with payers. Dr. Michael Hicks is president and chief medical officer for Dallas-based Pinnacle Partners in Medicine, which is one of the largest anesthesiology groups in the country.

“Bigger is better in terms of anesthesiology groups...,” agreed Dr. William Isaacson, one of Haverford’s co-founders and co-presidents. Many groups are looking “nationally to getting bigger. Small anesthesiology groups over the next five to 10 years will be more and more rare.”

Dr. Amr Abouleish, an anesthesiology professor for the University of Texas Medical Branch in Galveston, says large groups provide the kind of security that small groups don’t. That’s an important advantage in a field where there is currently a shortage of anesthesia providers, and it’s getting harder to recruit people.

But there’s concern the trend will help to compound divisions in health care, with the bigger hospitals mainly working with the big players, and the smaller, less well-funded hospitals turning to smaller ones, Abouleish said.

SIZE MATTERS

NAME: Pinnacle Partners In Medicine
BUSINESS: Anesthesia and practice management group
HEADQUARTERS: Dallas
LOCAL ADDRESS: 13601 Preston Road, Ste. 1000W
OWNERSHIP: Physician owned
TOP EXECUTIVE: Dr. Michael Hicks, president and chief medical officer
NO. OF DOCTORS AND NURSES: About 770 in anesthesiology
ANNUAL REVENUE: \$450 million
PHONE: 972-715-5000
WEB: www.PinnaclePartnersMed.com

Despite the trend to large groups, many anesthesiologists believe strongly that there will always be a place for small groups, he said. “Large groups are going to come in and be more lean and mean, economically and business-wise, but you’re going to have people who don’t want to be part of corporation.”

The perfect model

Hospital-based specialties, such as anesthesia, radiology and pathology, which don’t require their own medical treatment offices, are more prone to form groups than act as individual practitioners, Adessa said.

That said, a large anesthesia group has historically been comprised of only about 100 doctors and nurses.

And only the largest such groups would have 300 to 400 anesthesia doctors and nurses, said Dr. Michael Hicks, president and chief medical officer of Pinnacle Partners in Medicine In Dallas. For an anesthesia group to reach 800 is practically unheard of.

Traditionally, anesthesia services have been “this cottage industry — really regional or with a localized base,” said David Landry, CEO of Spectrum Medical Group, which provides services to about 20 hospitals in northern New Eng-

land. Most anesthesia groups might provide services for one or two states or a hospital system, but “very few are national or semi-national.”

New competitors

Pinnacle is not the only player of size nationwide. Florida-based Sheridan Healthcare has 700 to 1,000 anesthesia providers, though fewer than a hundred specialize in anesthesiology in North Texas. It also has providers in other specialties.

“We’re no different from Pinnacle,” said Senior Vice President Jay Martus. “We do acquire businesses occasionally, but we get contracts for what we call organic growth all the time. We gain new businesses through hard work and quality reputation. It happens all the time.”

Officials for Pediatrix Medical Group, another large Florida-based physician group with a national

footprint, could not be reached for comment.

Pinnacle hopes to compete against such players by becoming one of the country’s largest privately held, physicians-owned anesthesiology group — and to serve other hospital-based specialties such as radiology, pathology and pain management, where it currently has 20 physicians.

Pinnacle thinks a collaborative expansion strategy, where the doctors groups being bought retain local management and a fair amount of local control, will be a more desirable outcome for doctors.

“I don’t think a lot of physicians want to be acquired,” Adessa said. “A lot wish to continue proactive as owners and have some control of their future and destiny.”

For example, Drs. Isaacson and Bill Goldstein, Haverford’s founders and co-presidents, will be 49% owners of the merged company, Pinnacle Mid-Atlantic, and will

remain key principals in the business.

“They are a very high quality group, as are we,” Isaacson said, “and we thought that the pooling of resources would make for a significantly stronger product.”

Also, Spectrum’s joint venture with Pinnacle will merge into a new company called Spectrum Pinnacle Consultant Management Services.

Spectrum’s Landry said his company decided to join Pinnacle even though it was located far from its home base because it “saw their processes as superior to other potential partners we would look to work with.”

“We are not going to mandate how groups provide health care on a local basis,” Adessa concluded. “We are going to give them the tools and the administrative support to be able to do that more efficiently.”

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