HEALTH CARE VALUATION: A MOVING TARGET **OR** MORE OF THE SAME?

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INTRODUCTION

- The health care industry continues to evolve, subject to significant legislative and regulatory impacts.
- Somewhat similar to the 90s, health care providers see continuing value in integration and scale.
- The move towards integration and scale continues to drive merger and acquisition and joint venture activity.
- Valuations in the health care industry require consideration of regulatory, reimbursement, competition and technology impacts.

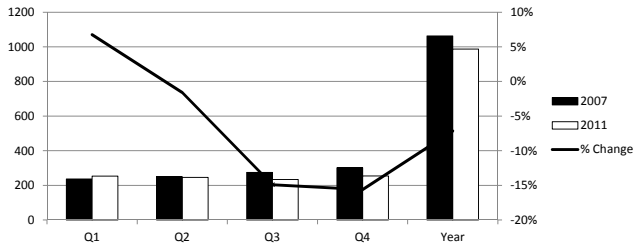
DEFINING THE HEALTH CARE SEGMENT

- The "health care" industry, as categorized by Irving Levin and Associates[1], includes:

Behavioral Health Care		Managed Care
Biotechnology		Medical Devices
E-Health		Pharmaceuticals
Home Health Care & Hospice		Physician Medical Groups
Hospitals		Rehabilitation
Laboratories, MRI & Dialysis		Other[2]
Long-Term Care		

[1]*The Health Care M&A Report, Fourth Quarter 2011*, Irving Levin Associates, Inc.
[2]Entities that conduct their operations at sites alternative to, or perform services ancillary to, other providers centrally positioned in the health care delivery system and more immediately linked with patients and consumers.

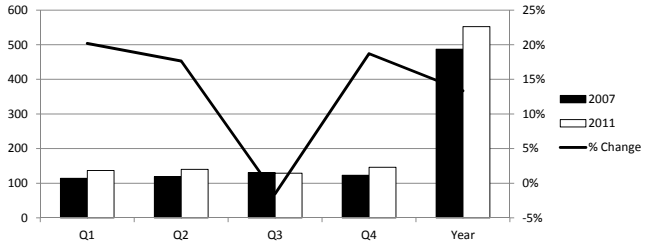
HISTORICAL REVIEW OF 2007 v. 2011 TOTAL TRANSACTION ACTIVITY



Total Transactions	2007	2011	% Change
Q1	237	253	7%
Q2	250	246	-2%
Q3	275	234	-15%
Q4	301	254	-16%
Total	1,063	987	-7%

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 SERVICE TRANSACTION ACTIVITY

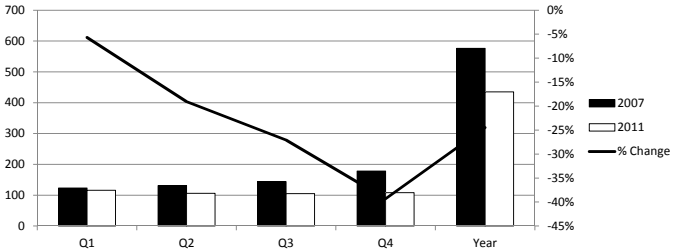


Service Transactions[1]	2007	2011	% Change
Q1	114	137	20%
Q2	119	140	18%
Q3	131	129	-2%
Q4	123	146	19%
Total	487	552	13%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.
[1]Includes, primarily, providers of medical services.

HISTORICAL REVIEW OF 2007 v. 2011 TECHNOLOGY TRANSACTION ACTIVITY

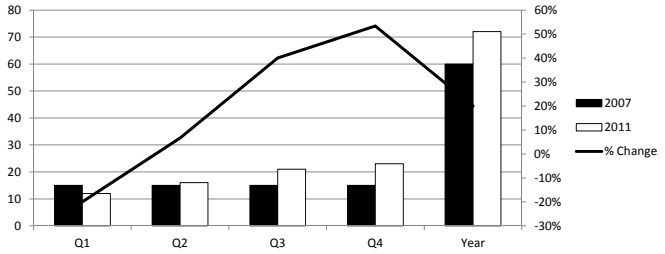


Technology Transactions[1]	2007	2011	% Change
Q1	123	116	-6%
Q2	131	106	-19%
Q3	144	105	-27%
Q4	178	108	-39%
Total	576	435	-24%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.
[1]Includes medical devices, pharmaceuticals, biotechnology and e-health companies.

HISTORICAL REVIEW OF 2007 v. 2011 E-HEALTH TRANSACTION ACTIVITY

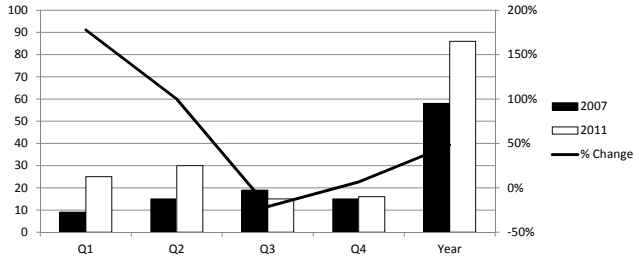


E-Health Transactions	2007	2011	% Change
Q1	15	12	-20%
Q2	15	16	7%
Q3	15	21	40%
Q4	15	23	53%
Total	60	72	20%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 HOSPITAL TRANSACTION ACTIVITY

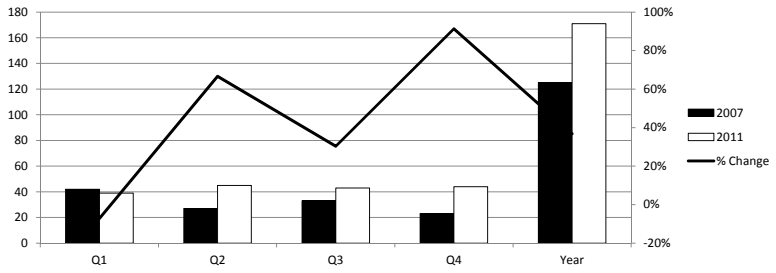


Hospital Transactions	2007	2011	% Change
Q1	9	25	178%
Q2	15	30	100%
Q3	19	15	-21%
Q4	15	16	7%
Total	58	86	48%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 LONG-TERM CARE TRANSACTION ACTIVITY

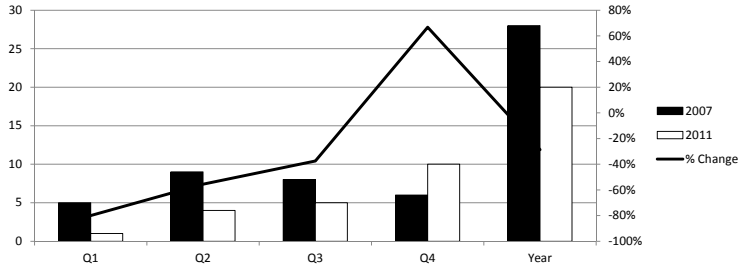


Long-Term Care Transactions	2007	2011	% Change
Q1	42	39	-7%
Q2	27	45	67%
Q3	33	43	30%
Q4	23	44	91%
Total	125	171	37%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 MANAGED CARE TRANSACTION ACTIVITY

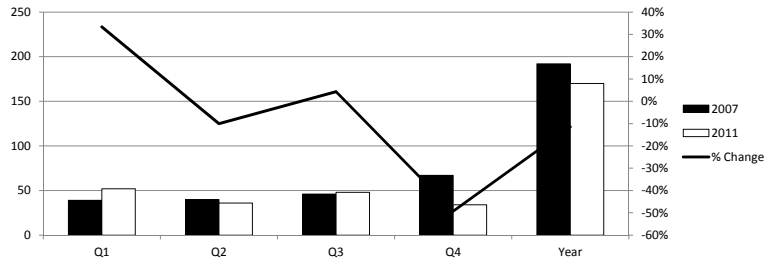


Managed Care Transactions	2007	2011	% Change
Q1	5	1	-80%
Q2	9	4	-56%
Q3	8	5	-38%
Q4	6	10	67%
Total	28	20	-29%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 MEDICAL DEVICES TRANSACTION ACTIVITY

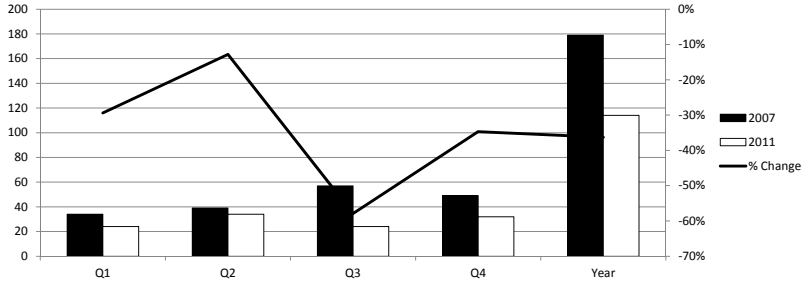


Medical Devices Transactions	2007	2011	% Change
Q1	39	52	33%
Q2	40	36	-10%
Q3	46	48	4%
Q4	67	34	-49%
Total	192	170	-11%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 PHARMACEUTICALS TRANSACTION ACTIVITY

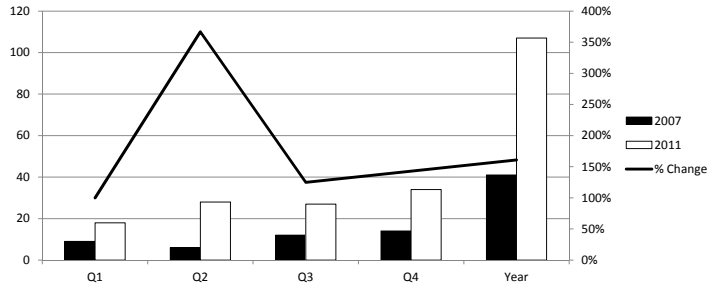


Pharmaceuticals Transactions	2007	2011	% Change
Q1	34	24	-29%
Q2	39	34	-13%
Q3	57	24	-58%
Q4	49	32	-35%
Total	179	114	-36%

American Society of Appraisers ASA

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

HISTORICAL REVIEW OF 2007 v. 2011 PHYSICIAN MEDICAL GROUPS TRANSACTION ACTIVITY



Physician Group Transactions	2007	2011	% Change
Q1	9	18	100%
Q2	6	28	367%
Q3	12	27	125%
Q4	14	34	143%
Total	41	107	161%

Source: *The Health Care M&A Report*, Irving Levin & Associates, Inc.

TAKEAWAYS REGARDING 2007 v. 2011 TRANSACTION ACTIVITY

- Pre- to post-economic crisis, overall, there was a ***slight decline*** in total health care transactional activity (-7%).
- Service-related transactions ***increased*** (13%) while technology-related transactions ***decreased*** (-24%).
- Certain segments experienced ***significant increases*** in transactional activity: e-health (20%), hospital (48%), long-term care (37%), and physician groups (161%).
- Empirical results support the premise that continuing health care reform efforts are driving consolidation and efforts toward efficiency gains (assumed to be attributable to a higher level of integrated care).

HISTORICAL REVIEW OF GOODWILL IN PHYSICIAN PRACTICE TRANSACTIONS: 2002 - 2011

	2002 - 2011 Transactions						1992 - 2002 Transactions		
		No	Goodwill as a % of Gross Revenue					No	1992-2002
Specialty	Goodwill	Goodwill	Mean	Median	Low	High	Goodwill	Goodwill	Median
Cardiology	43	21 (33%)	25.8	24.2	1.0	123.1	56	23 (29%)	30.3
Dermatology	61	4 (6%)	25.8	25.0	6.0	61.5	56	9 (14%)	26.5
Family Practice	203	51 (20%)	22.1	28.9	0.2	105.2	761	89 (10%)	32.3
Gastroenterology	36	11 (23%)	29.5	17.6	1.3	203.7	31	19 (23%)	33.8
General Dentistry	1,949	12 (1%)	46.4	46.9	0.1	193.6	845	25 (3%)	39.0
General Surgery	36	7 (16%)	23.6	18.2	2.3	71.9	64	11 (15%)	23.9
Internal Medicine	122	29 (19%)	21.8	20.0	0.5	89.3	299	37 (11%)	32.4
Obstetrics/Gynecology	68	7 (9%)	22.8	18.0	1.4	82.6	211	34 (14%)	28.6
Ophthalmology	168	28 (14%)	26.9	25.3	0.8	99.8	173	21 (11%)	32.7
Optometry	69	2 (3%)	31.9	33.2	1.3	60.7	28	3 (10%)	25.0
Oral & Maxillofacial Surgery	223	3 (1%)	43.9	44.6	5.3	100.0	275	3 (1%)	41.5
Orthondontia	56	2 (3%)	46.9	48.3	10.9	76.5	65	3 (4%)	37.5
Orthopedic Surgery	50	13 (21%)	17.3	15.1	0.9	77.5	57	18 (24%)	25.0
Otolaryngology	37	10 (21%)	24.2	20.3	1.2	122.4	50	17 (25%)	25.0
Pediatrics	47	7 (13%)	21.2	18.8	0.5	56.7	149	22 (13%)	30.0
Pedodontia	42	0 (0%)	50.1	49.9	15.5	73.9	3	0 (0%)	36.2
Periodontia	49	2 (4%)	43.3	45.2	6.2	67.2	24	1 (4%)	28.8
Radiology	39	10 (20%)	41.2	22.3	1.0	159.8	39	12 (24%)	24.0

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Source: *Goodwill Registry – Year 2012*, The Health Care Group.

TAKEAWAYS REGARDING PHYSICAN PRACTICE GOODWILL

- Published statistics (i.e., *The Goodwill Registry*) indicate that practice goodwill for the dental field generally ***has increased*** in the 10-year period ending in 2011 relative to the prior, approximate 10-year period (ending in 2002).
- Published statistics (i.e., *The Goodwill Registry*) indicate that practice goodwill for the medical field generally ***has decreased*** in the 10-year period ending in 2011 relative to the prior, approximate 10-year period (ending in 2002).
- The difference in relative goodwill statistics may be attributed in part to the relative stability of patient-provider relationships and the consistent, structured flow of patients through the dental services segment of the health care industry.

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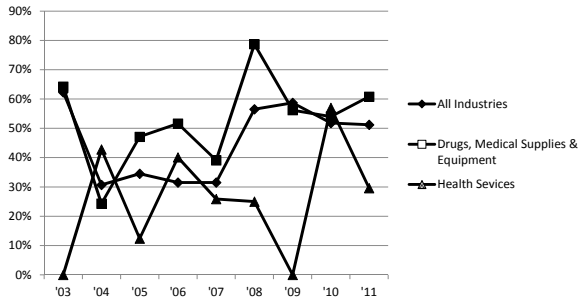
HISTORICAL REVIEW OF PREMIUMS OFFERED: 2003 - 2011



Sector	'03	'04	'05	'06	'07	'08	'09	'10	'11
All Industries	62%	31%	35%	32%	32%	57%	59%	52%	51%
Drugs, Medical Supplies & Equipment	64%	24%	47%	52%	39%	79%	56%	54%	61%
Health Services	NM	43%	12%	40%	26%	25%	0%	57%	30%

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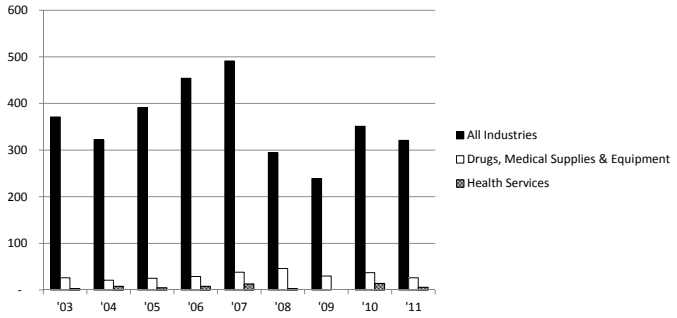
Source: *Mergerstat Review*, Factset Mergerstat.

HISTORICAL REVIEW OF NUMBER OF TRANSACTIONS: 2003 - 2011



Sector	'03	'04	'05	'06	'07	'08	'09	'10	'11
All Industries	371	322	391	454	491	294	239	351	321
Drugs, Medical Supplies & Equipment	26	21	25	29	38	46	30	37	26
Health Services	3	8	5	8	13	3	-	14	6

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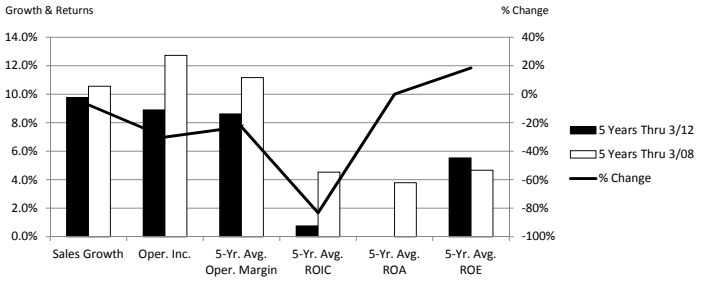
Source: *Mergerstat Review*, Factset Mergerstat.

TAKEAWAYS REGARDING CONTROL PREMIUM STATISTICS

- Published statistics (i.e., *Mergerstat Review*) indicate that the median control premium for (i) All Industries, (ii) the Drugs, Medical Supplies & Equipment Industry, and (iii) the Health Services Industry ***was higher*** in 2011 than in 2007 (pre-economic crisis/pre-health care reform).
- Published statistics (i.e., *Mergerstat Review*) indicate that the number of reported transactions for (i) All Industries, (ii) the Drugs, Medical Supplies & Equipment Industry, and (iii) the Health Services Industry ***was significantly lower*** in 2011 than in 2007 (pre-economic crisis/pre-health care reform)

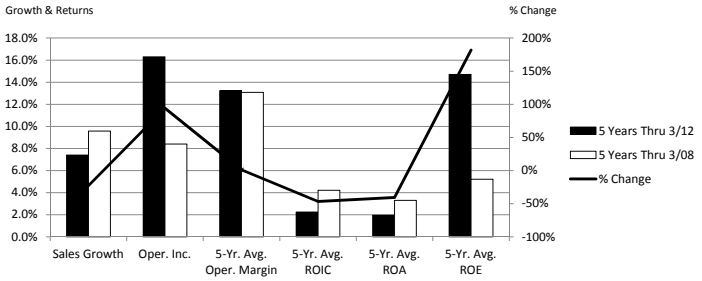
HISTORICAL REVIEW OF HEALTH CARE METRICS SIC 80: HEALTH SERVICES GROWTH AND RETURNS



Metric	5 Years Thru 3/12	5 Years Thru 3/08	% Change
Sales Growth	9.8%	10.6%	-7%
Oper. Inc.	8.9%	12.7%	-30%
5-Yr. Avg. Oper. Margin	8.6%	11.2%	-23%
5-Yr. Avg. ROIC	0.8%	4.5%	-83%
5-Yr. Avg. ROA	NM	3.8%	NM
5-Yr. Avg. ROE	5.5%	4.7%	18%

Source: Ibbotson *Cost of Capital Yearbook*, Morningstar (66 companies in 2012 and 64 companies in 2008).
ROIC – Return on invested capital
ROA – Return on assets
ROE – Return on equity

HISTORICAL REVIEW OF HEALTH CARE METRICS
SIC 806: HOSPITAL SERVICES GROWTH AND RETURNS



Metric	5 Years Thru 3/12	5 Years Thru 3/08	% Change
Sales Growth	7.4%	9.6%	-23%
Oper. Inc.	16.3%	8.4%	94%
5-Yr. Avg. Oper. Margin	13.2%	13.1%	1%
5-Yr. Avg. ROIC	2.3%	4.2%	-47%
5-Yr. Avg. ROA	2.0%	3.3%	-41%
5-Yr. Avg. ROE	14.7%	5.2%	182%

Source: Ibbotson *Cost of Capital Yearbook*, Morningstar (9 companies in 2012 and 12 companies in 2008).
ROIC – Return on invested capital
ROA – Return on assets
ROE – Return on equity

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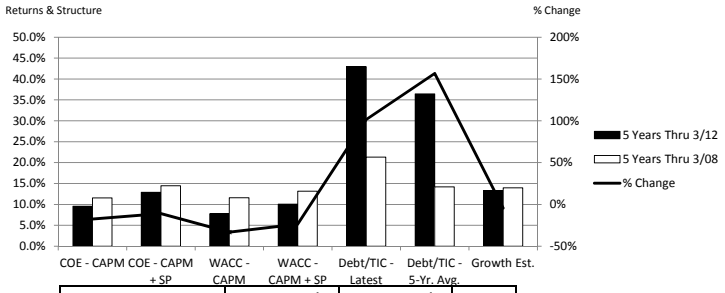
HISTORICAL REVIEW OF HEALTH CARE METRICS
SIC 80: HEALTH SERVICES CAPITALIZATION



Metric	5 Years Thru 3/12	5 Years Thru 3/08	% Change
COE - CAPM	9.6%	11.6%	-17%
COE - CAPM + SP	12.9%	14.5%	-11%
WACC - CAPM	7.8%	11.6%	-33%
WACC - CAPM + SP	10.1%	13.2%	-24%
Debt/TIC - Latest	42.9%	21.3%	102%
Debt/TIC - 5-Yr. Avg.	36.4%	14.2%	157%
Growth Est.	13.3%	14.0%	-4%

Source: Ibbotson *Cost of Capital Yearbook*, Morningstar (66 companies in 2012 and 64 companies in 2008).
COE – Cost of equity
CAPM – Capital asset pricing model
WACC – Weighted-average cost of capital; SP – Size premium
TIC – Total invested capital

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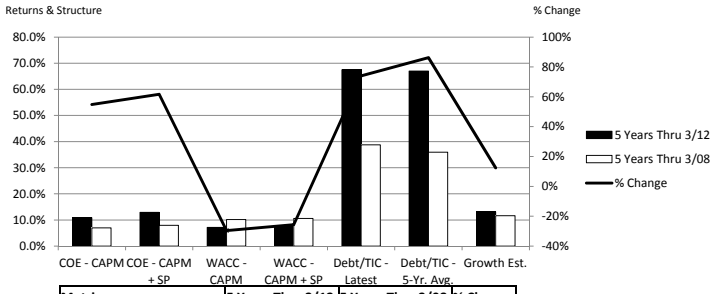
HISTORICAL REVIEW OF HEALTH CARE METRICS
SIC 806: HOSPITAL SERVICES CAPITALIZATION

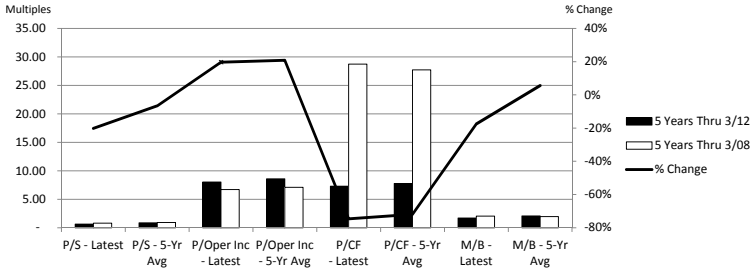


Metric	5 Years Thru 3/12	5 Years Thru 3/08	% Change
COE - CAPM	10.8%	7.0%	55%
COE - CAPM + SP	12.9%	8.0%	62%
WACC - CAPM	7.2%	10.2%	-30%
WACC - CAPM + SP	7.9%	10.6%	-26%
Debt/TIC - Latest	67.5%	38.8%	74%
Debt/TIC - 5-Yr. Avg.	67.0%	36.0%	86%
Growth Est.	13.1%	11.7%	12%

Source: Ibbotson *Cost of Capital Yearbook*, Morningstar (9 companies in 2012 and 12 companies in 2008).
COE – Cost of equity
CAPM – Capital asset pricing model
WACC – Weighted-average cost of capital; SP – Size premium
TIC – Total invested capital

American Society of Appraisers ASA

HISTORICAL REVIEW OF HEALTH CARE METRICS
SIC 80: HEALTH SERVICES MULTIPLES

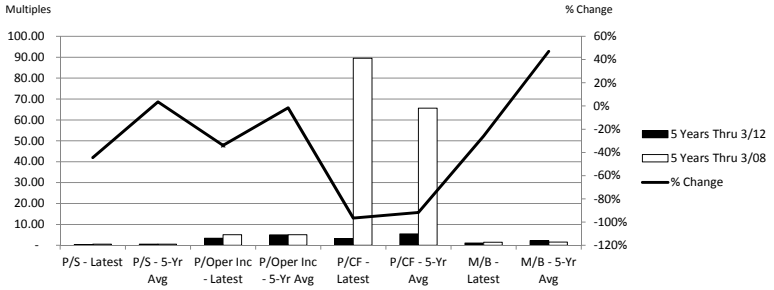


Metric	5 Years Thru 3/12	5 Years Thru 3/08	% Change
P/S - Latest	0.63	0.79	-20%
P/S - 5-Yr Avg	0.85	0.91	-7%
P/Oper Inc - Latest	8.03	6.71	20%
P/Oper Inc - 5-Yr Avg	8.59	7.11	21%
P/CF - Latest	7.28	28.74	-75%
P/CF - 5-Yr Avg	7.78	27.73	-72%
M/B - Latest	1.69	2.05	-18%
M/B - 5-Yr Avg	2.06	1.95	6%

American Society of Appraisers ASA

Source: Ibbotson *Cost of Capital Yearbook*, Morningstar (66 companies in 2012 and 64 companies in 2008).
P – Price; S – Sales; CF – Cash flow; M – Market value; B – Book value

HISTORICAL REVIEW OF HEALTH CARE METRICS SIC 806: HOSPITAL SERVICES MULTIPLES



Metric	5 Years Thru 3/12	5 Years Thru 3/08	% Change
P/S - Latest	0.30	0.54	-44%
P/S - 5-Yr Avg	0.59	0.57	4%
P/Oper Inc - Latest	3.37	5.10	-34%
P/Oper Inc - 5-Yr Avg	4.99	5.07	-2%
P/CF - Latest	3.13	89.48	-97%
P/CF - 5-Yr Avg	5.45	65.65	-92%
M/B - Latest	1.12	1.51	-26%
M/B - 5-Yr Avg	2.28	1.55	47%

Source: Ibbotson *Cost of Capital Yearbook*, Morningstar (9 companies in 2012 and 12 companies in 2008).
P – Price; S – Sales; CF – Cash flow; M – Market value; B – Book value

TAKEAWAYS REGARDING HEALTH SERVICES/HOSPITAL SERVICES METRICS

- Pre-economic crisis/health care reform (5 years through 2008) to post (5 years through 2012), generally, growth and returns for the health services/hospital services segments ***have declined***.
- Pre to post, the median COE and median WACC for the health services industry as a whole ***have decreased***.
- Pre to post, the median COE for the hospital services segment ***has increased***, while the median WACC ***has decreased***.
- Pre to post, the capital structure for the health services/hospital services segments has ***moved toward significantly greater debt capitalization***.

TAKEAWAYS REGARDING HEALTH SERVICES/HOSPITAL SERVICES METRICS, contd.

- Pre to post, pricing multiples ***generally have declined*** for the health services/hospital services segments.

THE IMPACT OF INDUSTRY CHANGE AND REFORM

- Continued move toward larger scale operations and increased integrated delivery.
- Focus on internal right-sizing/operational alignment, and external affiliation (mergers/joint ventures/contractual relationships).
- Continuing, growing need for services relating to business valuation, purchase price allocation, studies to substantiate reasonable compensation for services.
- An episodic and general decline in growth, returns and pricing multiples for a segment may suggest a general decline in relative value, but not the ***absence*** of value.

COMMON HEALTH CARE INDUSTRY INTANGIBLE ASSETS

- medical, dental, and other professional licenses
- certificates of need
- patient relationships
- patent files and records (manual and electronic)
- electronic medical records computer software
- medical and administrative assembled workforce
- office systems, procedures, and manuals
- position or "station" procedures and manuals
- facility operating licenses and permits
- physician (and other professional) employment agreements
- physician (and other professional) noncompetition agreements
- executive (and other administrator) employment agreements
- executive (and other administrator) noncompetition agreements
- administrative services agreements
- medical (and other professional) services agreements
- facility or function management agreements
- equipment and other supplier purchase agreements
- service marks and service names
- joint venture agreements
- a professional's personal goodwill
- an entity's institutional goodwill
- equipment use or license agreements
- medical (other professional) staff privileges
- joint development or promotion agreements

WHY ASSET-BASED VALUATION APPROACH IS OFTEN USED IN REGULATORY FAIR MARKET VALUE VALUATION

- Most transactions are cash for assets deals, so the asset-based approach is particularly applicable.
- To comply with Stark, OIG regulations, IRS regulations, etc., a not-for-profit entity has to establish that it did not pay more than/receive less than FMV for the subject assets, due to:
  1. private benefit/private inurement concerns (Sec. 501(c)(3) of the IRC)
  2. excess benefits concerns (Sec. 4958 of the IRC)
  3. anti-kickback concerns (Social Security Act – Sec. 1128B. [42 U.S.C. 1320a–7b] and Stark legislation)
- Income approach methods are sometimes used, but future income could be interpreted to include patient referrals value.
- Market approach methods are sometimes used, but capitalized income could be interpreted to include patient referrals value.

REGULATORY FAIR MARKET VALUE VALUATION PROHIBITED INTANGIBLE ASSETS

- Under various anti-kickback statutes (i.e., Stark legislation), any patient referral-related intangible asset is a prohibited intangible asset.
  1. The value of current or future patients to the current entity is allowable.
  2. The value of incremental income from current or future patients to the acquirer is prohibited.
  3. This regulation does not mean that practice/entity goodwill is a prohibited intangible asset.

REGULATORY FAIR MARKET VALUE VALUATION KEY CONSIDERATIONS

- Standard valuation approaches (and related methods) apply
  - Income Approach
  - Market Approach
  - Asset (i.e., Cost) Approach
- Impact of regulatory standards (i.e., tax-exempt scenario)
  - Standard of value is ***fair market value***
  - Additional requirement of ***commercial reasonableness***

REGULATORY FAIR MARKET VALUE VALUATION KEY CONSIDERATIONS

- ***Commercial reasonableness*** is defined as
  - "*…a sensible, prudent business agreement, from the perspective of the particular parties involved, even in the absence of any potential referrals[,]*"[1] and that, in the absence of referrals, "*…the arrangement would make commercial sense if entered into by a reasonable entity of similar type and size and a reasonable physician (or family member or group practice) of similar scope and specialty, even if there were no potential DHS referrals*."[2]

1 "Medicare and Medicaid Programs; Physicians' Referrals to Health Care Entities With Which They Have Financial Relationships," Centers for Medicare and Medicaid Services, Federal Register, Vol. 63, No. 6 (January 9, 1998), p. 1700.
2 "Medicare Program; Physicians' Referrals to Health Care Entities With Which They Have Financial Relationships (Phase II)," Centers for Medicare and Medicaid Services, Federal Register, Vol. 69, No. 59 (March 26, 2004), p. 16093.

REGULATORY FAIR MARKET VALUE VALUATION KEY CONSIDERATIONS

- As defined in Section 2.02 of Revenue Ruling 59-60 in the Internal Revenue Code (the "IRC"), ***fair market value*** is
  - "the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property."
- Stark legislation defines ***fair market value*** as
  - "the value in arm's-length transactions, consistent with the general market value—the price that an asset would bring, as the result of bona fide bargaining between well-informed buyers and sellers who are not otherwise in a position to generate business for the other party, or the compensation that would be included in a service agreement, as the result of bona fide bargaining between well-informed parties to the agreement, on the date of acquisition of the asset or at the time of the service agreement."

REGULATORY FAIR MARKET VALUE VALUATION KEY CONSIDERATIONS

- Valuation Guidance (unofficial) discussed in the *Exempt Organizations Continuing Professional Education Technical Instruction Program Textbook* [1](i.e., the National Office Appeals, Office of Appraisal Services):
  - expects all three methods (i.e., "approaches") of estimating business enterprise value ("BEV") to be included in an appraisal.
  - even in those cases where the discounted cash flow ("DCF") method is appropriate to value the business being sold, the valuation must be based on a discount rate supportable by market transactions.
  - to ensure a correct valuation, the results of the income approach should be tested against other approaches such as market and cost.
- The BEV is defined as the total value of the assembled assets that comprise the entity as a going concern (the value of a company's capital structure).
  - Another definition of a more technical nature states that BEV is the capital structure of the business, the components of which are common (or partners') equity, preferred equity (stockholders), and long-term debt.
  - By removing long-term debt from the business enterprise, you obtain shareholders' (or partners') equity, or the net worth of the firm. The BEV is the basis for most appraisals submitted to the Service.
- The *Technical Instruction Program Textbook* requires that the income approach be completed using after-tax cash flows, and that the discount rate reflects the impact of state and federal income taxes. (See *Technical Instruction Program Textbook*, pages 167-169.)

[1]*Exempt Organizations Continuing Professional Education Technical Instruction Program Textbook* (1994 for FY 1995), L., Integrated Delivery Systems and Joint Venture Dissolutions Update.

FOOD FOR THOUGHT: MEDICAL PRACTICE VALUATION

- Standard valuation approaches/methods apply (guideline publicly traded company analysis unavailable due to absence of publicly traded medical groups)
- Focused, total compensation review (historical vs. prospective) is critical
- Productivity/payer mix analysis
- Fee schedule analysis
- Staff analysis
- Overhead analysis
- Facility analysis

FOOD FOR THOUGHT: MEDICAL PRACTICE VALUATION COMPENSATION FOR VALUE TRADE-OFF

COMPENSATION FOR VALUE TRADE-OFF		Scenario A: Moderate Compensation				Scenario B: Aggressive Compensation		
		Practice Analysis				Practice Analysis		
		Median Phys Compensation				75th-Percentile Phys Compensation		
			($000)				($000)	
Concluded Practice Value	[a]		6,000		[a]		6,000	
		Implied Margin				Implied Margin		
Normalized Economic Earnings	[b]	12%	1,200		[b]	7%	700	
		Comp Ratio				Comp Ratio		
Normalized Physician Compensation	[c]	40%	4,000		[c]	45%	4,500	
Estimated Capitalization Rate	[d]	20%			[d]	20%		
Indicated Capitalized Value	[e]		6,000		[e]		3,500	
TRADE-OFF: CURRENT VALUE FOR FUTURE COMP	[f]			2,500				

[a] Represents estimated Practice enterprise value, based on consideration of income, market and cost approaches.
[b] Based on historical, normalized economic earnings, and confirmed by relevant industry analysis.
[c] Based on compensation studies considering specialty, productivity, payer mix and collection rate, and market catchment area.
[d] Estimated based on consideration of practice focus, size, physician mix, and historical and prospective operating results.
[e] Normalized economic earnings divided by estimated capitalization rate.
[f] A shift in "negotiated" compensation - from the median level to the 75th-percentile - reduces expected economic earnings, and therefore, the implied value from an income-based perspective.

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FOOD FOR THOUGHT: MEDICAL PRACTICE VALUATION COMPENSATION FOR VALUE TRADE-OFF

- A scenario of nominal expected earnings (likely attributable to assumed physician compensation levels) creates a theoretical dilemma regarding the existence/value of intangible assets.
- Consider that, currently, physician compensation in acquisition settings typically becomes strictly production-based in a relatively short period.
- A cost approach-based analysis facilitates the level of specific identification and valuation required to address the dilemma.
- Acquisition of physician practices generally requires valuation combined with purchase price allocation analysis.

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QUESTIONS