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Lead Left Interview – Peter Magas

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This week we chat with Peter Magas, managing director at Beecken Petty O'Keefe and Co. Peter joined BPOC in 2008. He serves or has served on the board of Absolute Dental, Hospital Physician Partners, ISG Holdings, Medical Solutions and Paragon Medical. Founded in 1996, BPOC ranks among the country's oldest private equity management firms that specialize exclusively in healthcare.

The Lead Left: *Pete, appreciate you taking some time to chat with us. Given our recent series on healthcare, we thought our readers might appreciate hearing your thoughts on the state of the sector.*

Peter Magas: Thanks, Randy. Great to be with you. There's certainly been a lot of talk about value-based healthcare and cost sharing. However, we're in the early innings – we spend a lot of time focused on provider-based businesses and as we speak with payors about how the model may change, it is surprising to us how few are able to leverage their own data to evaluate providers, develop care plans based on historical outcomes and negotiate bundled rates. Today, it's incumbent upon the providers to demonstrate they are delivering quality care, efficiently.

TLL: *What sub-sectors of healthcare are you focused on?*

PM: We have a deep, experienced team who has invested in different cycles and our mandate within healthcare is very broad. Personally, I spend a majority of my time in three areas: multi-site provider businesses, behavioral health and staffing. In addition, BPOC invests in payor services, medical products and contract manufacturing, pharma services, post-acute care and HCIT – pretty much everything except biotech and life sciences.

TLL: *I'm interested in your view of staffing, Pete. That's a pretty cyclical industry.*

PM: Yes, it can be but all investments have risks you need to assess. In staffing, there are a lot of smaller companies that haven't developed infrastructure or processes to scale, nor have they developed direct client relationships. Those who have done that are in better position to mitigate the impact of a recession.

We believe there will continue to be growth in the sector. Demographics suggest continued demand for healthcare services and the provider base cannot keep pace. The pace of doctor and nurse retirements will accelerate and you have demand for providers in both acute and outpatient or alternative settings. This requires hospitals and post-acute facilities to leverage temporary staff in order to meet staffing ratios, fluctuations in volumes or staff shortages.

TLL: *What about dental? That's another area that seems to be very mature, especially for adults.*

PM: The DSO model has been around a long time, but it is still highly fragmented. Roughly 90% of the practices are still independent, so there continues to be good opportunities. Although adult visits are somewhat flat in certain market, there is good growth in pediatrics and specialties.

To be continued the week of June 18

Contact: Peter Magas
pmagas@bpoc.com