

Lead Left Interview – Peter Magas (Part 2)

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This week we continue our conversation 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. *Second of two parts* – [View part one](#).

The Lead Left: Do you like urgent care?

Peter Magas: Urgent care is a great alternative, for patients and payors, to the emergency room. As an investment, it really depends on the model and geographic market. In most markets, I think the visits are transactional as opposed to a replacement to primary care – given that dynamic, the ability to attract sufficient foot traffic and staff appropriately for fluctuations in visits is important to running profitability.

I’ll share a quick anecdote: while we were on vacation, my four-year old fell and badly cut her lip as we were rushing out the door to catch our flight. Once the hysteria subsided, I searched for well-rated urgent care clinics on the way to the airport and called ahead. They had us registered and in front of a PA within five minutes, who glued the cut and had us back out the door in under twenty minutes. That would never happen in an ER.

TLL: We’ve had similar experiences. Though on some days in some locations the line is out the door.

PM: On the investment side, urgent care has been a tale of two stories. Either they’ve done very well, or it’s been a real struggle. It’s a business with very few barriers to entry. The relationships with payers, site selection and brand perception are key – remember, it is retail healthcare and you are marketing to consumers.

TLL: On the behavioral side, there seems to be a lot headline noise, particularly with addiction.

PM: The opiate epidemic is getting a lot of press along with class-action litigation against opiate manufacturers. We’re less concerned with the latter, given our investment focus, and believe the former will eventually funnel more dollars into the sector. This is a great example of an area of healthcare with poor outcomes data. For many providers, quality is elusive; clinical protocols vary greatly, post-discharge data is voluntary and as a result, “success” is hard to define. Payors have a lot of data, but often can’t (or won’t) analyze it to determine which providers or treatment protocols are most effective. Patients may be admitted into a residential facility for a three to four week stay, which may cost \$20-30k, but once discharged follow-up has to be mutual. We’ve seen many instances where more than half of the residential admissions are from patients who had been admitted at least once before. So, we’re interested in lower costs models, longer treatment plans and where appropriate, medication-assisted treatment.

TLL: Is dermatology another area of interest for you?

PM: Yes, dermatology has good market trends and consistent with our staffing theme, there’s a shortage of providers. Similar to dental, while there has been a lot of provider activity, it remains highly fragmented.

However, like other provider sectors, valuations are steep for assets with scale.

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