

Strategic Positioning of Physician Groups via MSO Formation

Medical Group Management Association

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Gary W. Herschman, Member of the Firm, **Conor F. Murphy**, Senior Counsel, and **John D. Barry**, Associate, of the firm's Health Care and Life Sciences practice, in the firm's Newark office, co-authored an article for the *Medical Group Management Association*, titled "Strategic Positioning of Physician Groups via MSO Formation."

Following is an excerpt:

As investor interest in physician groups has grown, some groups have decided to bifurcate their clinical and business/support functions in advance — through the formation of an MSO — so that they are better prepared and positioned for a potential transaction. At the same time, this strategy also enables physician groups to pursue other short-term (and/or long-term) expansion by entering into administrative services agreements, using the MSO's professional/corporate infrastructure, to provide support services to other, smaller medical practices in the region.

By leveraging its infrastructure and executive staff, an MSO can achieve and benefit from economies of scale while providing support services to other smaller physician groups in a more professional and cost-efficient manner than such groups are accustomed, creating a win-win for all involved. This also allows

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physicians in smaller or midsize groups to focus entirely on the clinical care of patients, leaving the business of healthcare in the capable hands of experienced executives and administrative leaders.

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