CASE STUDY

STRENGTHENING ACQUISITION UNDERWRITING FOR A NATIONAL HEALTHCARE PLATFORM

Kaufman Rossin helped a private equity-backed gastroenterology platform strengthen buy-side acquisition diligence through black-box reimbursement analysis, Quality of Earnings, and integrated valuation modeling.

COMPANY

A private equity-backed, physician-led gastroenterology platform operating across multiple states, providing digestive health services, endoscopy center operations, and related ancillary services. The organization executes a roll-up acquisition strategy focused on integrating physician-owned practices and ambulatory surgery centers into a centralized operating model.

CHALLENGE

As healthcare platforms pursued acquisitions in a more selective M&A environment, leadership needed greater visibility into reimbursement, normalized earnings, physician compensation, and post-close integration assumptions while protecting confidential payer information during negotiations.

Traditional EBITDA-based diligence was insufficient because acquisition targets often operated with physician-owner compensation structures, cash-basis accounting, and differing economics across physician practices and ambulatory surgery centers. Kaufman Rossin was engaged to strengthen acquisition underwriting without slowing transaction timelines.

WHAT OUR DIAGNOSTIC REVEALED

- Managed care reimbursement variability materially affected post-close revenue expectations
- Physician-owned practices required conversion from cash-basis to accrual accounting for accurate performance analysis
- Separate financial analysis was needed for physician practices and ambulatory surgery center operations
- Valuation required alignment with the platform's Earnings Before Partner Compensation (EBPC) framework to derive accurate target company enterprise value
- Transaction speed depended on integrating diligence findings directly into valuation

SOLUTION

Kaufman Rossin delivered transaction advisory services that combined reimbursement analysis, Quality of Earnings, and valuation modeling to strengthen acquisition underwriting while protecting confidential payer information.

Key elements included:

- Performing **black-box reimbursement analyses** using the platform's payer rates to estimate post-close revenue impact without disclosing confidential pricing
- Conducting **buy-side Quality of Earnings procedures**, including proof-of-revenue testing, cash-to-accrual conversion, revenue normalization, and compensation analysis
- **Reconstructing separate financial results** for physician practice and ambulatory surgery center operations
- Building the platform's proprietary **EBPC valuation model**, incorporating partner compensation, centralized operating costs, and pro forma financial assumptions
- Integrating **diligence findings** directly into valuation models to support pricing decisions and acquisition negotiations
- Maintaining a **structured diligence process** with recurring governance, issue tracking, and alignment with corporate development leadership

IMPACT

Kaufman Rossin helped the platform establish a standardized acquisition underwriting process that improved pricing precision and strengthened the connection between diligence findings and post-close financial performance.

Increased confidence in LOIs through quantified reimbursement impact analysis

Improved purchase price accuracy with integrated EBPC valuation modeling

Strengthened underwriting across physician practices and ambulatory surgery centers

Accelerated transaction timelines by performing Quality of Earnings and valuation work concurrently

Enhanced visibility into post-close partner compensation economics

HIGHLIGHTS

- Black-box reimbursement modeling performed across multiple acquisition targets
- Cash-to-accrual revenue conversions completed for physician practices
- Separate EBPC analyses developed for physician practices and ambulatory surgery centers
- Integrated Quality of Earnings and proprietary valuation models delivered concurrently to support acquisition negotiations

Client details have been anonymized for confidentiality.