SPHERIX GLOBAL INSIGHTS | FRASER HEALTHCARE

The Business of **Gastroenterology**

Quarterly Newsletter | Q3 2021

Profile: US Gastroenterology MSOs

In this quarter's issue included in ***Special Topix™: The Business of Gastroenterology (US)***, a deeper dive into the top gastroenterology managed service organizations (MSOs) is the focus. Utilizing a combination of secondary research and survey data, details regarding their number of locations, number of physicians, and other metrics are reported.

To start, it is important to note that emergence of MSOs in gastroenterology is in its early stages relative to some other specialties in the US. In dermatology and ophthalmology, MSOs have become increasingly common, with up to a few dozen platform MSO organizations now in place. It is these platforms that form the foundation for additional practice acquisitions to be strategically "bolted on." With this context, gastroenterology has room to grow with only nine platforms in the US and an overall gastroenterology patient population in excess of 30 million.[1]

Mature specialties ← → Emerging specialties

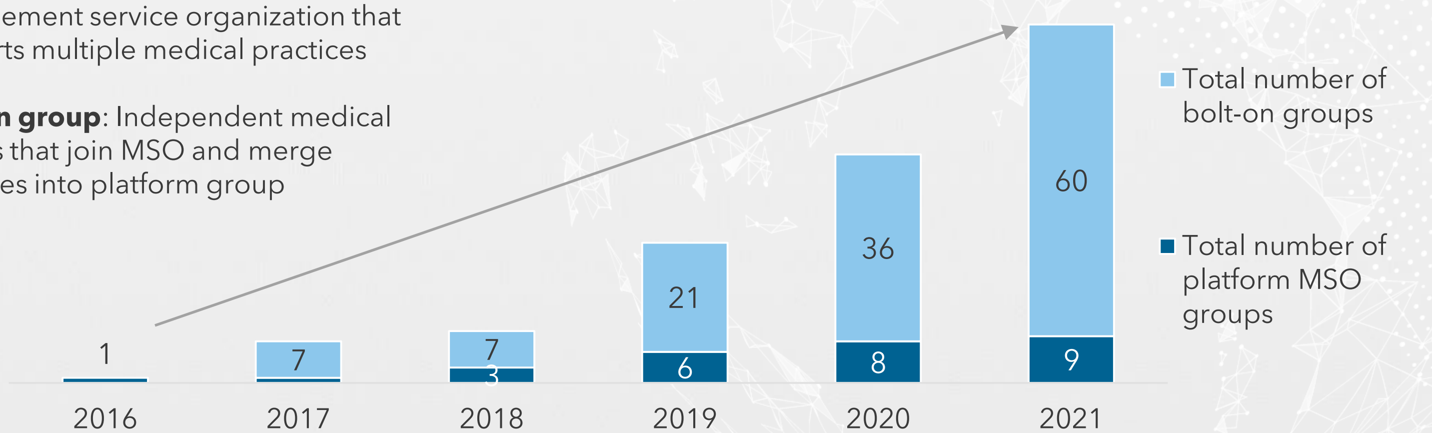
Dermatology (40+ platforms)	**Ophthalmology** (20+ platforms)	**OBGYN** (5 platforms)	**Orthopedics** (10 platforms)	**Gastroenterology** (9 platforms)	**Neurosurgery/ Spine** (6 platforms)

Indeed, the pace of alliances in gastroenterology is accelerating. The total number of bolt-on groups in existence in 2021 has grown by half compared to 2020.

Total Number of Platform MSO and Bolt-On Groups in Gastroenterology Over Time

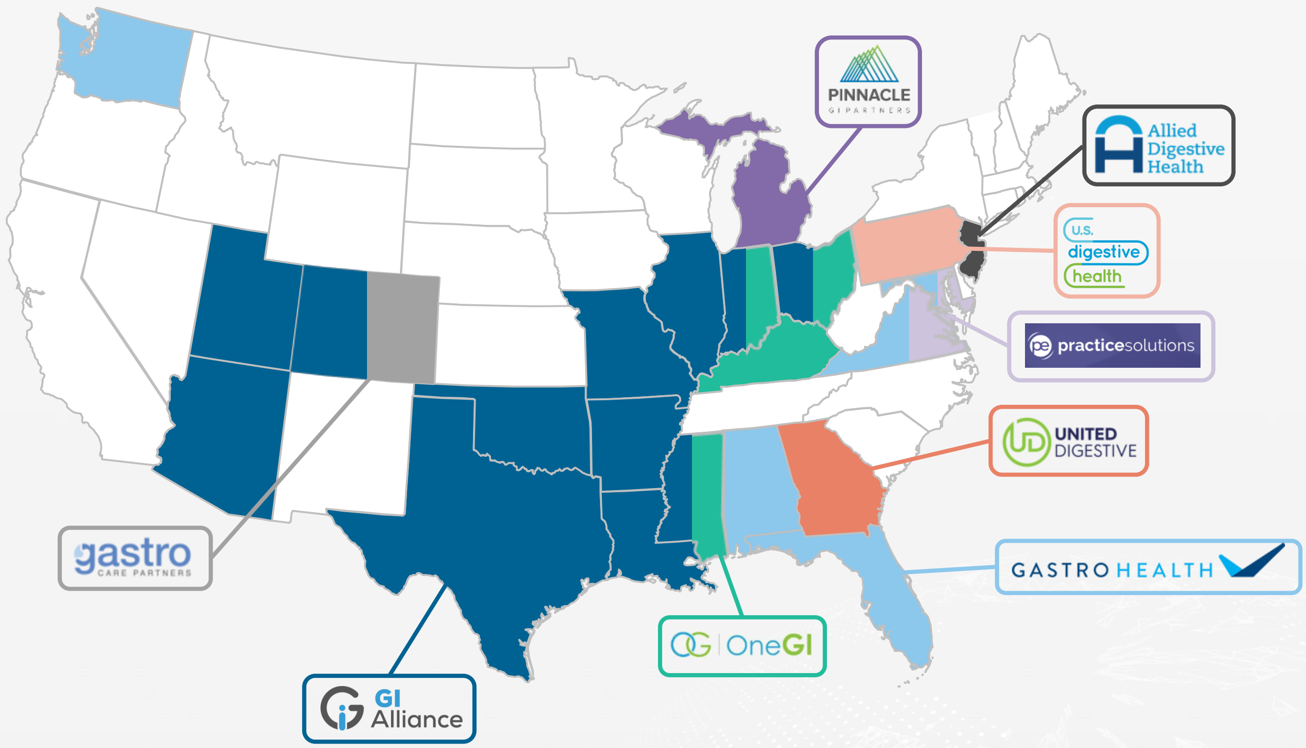
Platform MSO group: Foundation management service organization that supports multiple medical practices

Bolt-on group: Independent medical groups that join MSO and merge practices into platform group



1 https://www.niddk.nih.gov/health-information/health-statistics/digestive-diseases

Gastroenterology MSO Consolidation Map



Q3 Transactions

July

- Gastro Health partners with Ohio GI
- GI Alliance adds Utah Gastroenterology
- GI Alliance partners with South Suburban Gastroenterology in Illinois

August

- Gastro Health signs partnership with The Gastroenterology Group in Virginia

September

- Gastro Health partners with Gastro Center of Florida and Mid Florida Gastroenterology Consultants P.C
- Gastro Health partners with Gastro-Intestinal Associates, Inc. in Ohio

General Points to Know About Gastroenterology MSOs in the US

(n=45 gastroenterologists)

- When asked to identify if their MSO location was urban, suburban, or rural, not a single respondent was rural.
- When asked to select the ancillary services offered by their MSO, infusion was the most common, while bariatric/weight loss services were least common.
- ASC outpatient management is the largest proportion of MSO revenue, while in-patient consultation is the smallest.
- When asked what pharmaceutical companies need to learn about them, MSO physicians rated financial incentives and increased negotiating leverage with payers as the most important.

GI Alliance

- Texas Digestive Consultants Consultants partnered with Waud Capital to form GI Alliance in 2018
- 750+ physicians across 150+ locations including: Texas, Louisiana, Illinois, Colorado, Indiana, Missouri, Arkansas, Arizona, Utah, Oklahoma
- Headquarters: Dallas, TX with CEO: James Weber
- Key Data: Of the top five MSOs surveyed, GI Alliance had the highest allocation to IBD subcutaneous therapies and the smallest allocation to infusion therapies.

GASTRO HEALTH

- Founded in 2005 through a merger of GI Care Center, Gastroenterology Associates, and Gastroenterology Group and then re-capitalized through an agreement with Audax private equity in 2016.
- 350+ physicians across 70+ locations including: Alabama, Florida, Ohio, Virginia, Maryland, and Washington
- Headquarters: Miami, FL with CEO: Joseph Garcia
- Key Data: Of the top five MSOs surveyed, Gastro Health had the highest percentage of non-surgical outpatient management practice revenues from telemedicine.

practicesolutions

- Formed in Oct. 2019 after merger of Capital Digestive Care and Physicians Endoscopy
- 80+ physicians across 20+ locations in Maryland and Washington DC
- Headquarters: Silver Spring, MD with CEO Michael Weinstein
- Key Data: Of the top five MSOs surveyed, Practice Solutions had the lowest Remicade allocation among both Crohn's disease and ulcerative colitis patients. In contrast, Practice Solutions has the highest allocation of infliximab biosimilars among CD and UC patients.

U.S. digestive health

- Amulet Capital Partners, LP, a healthcare private equity investment firm, announced the formation of US Digestive Health in June of 2019.
- 88 physicians across 26 locations in central and southeastern Pennsylvania
- Headquarters: Exton, PA with CEO: Jerry Tillinger
- Key Data: Of the top five MSOs surveyed, US Digestive had the highest Entyvio allocation among ulcerative colitis patients.

SPECIAL TOPIX

Service Overview

Special Topix™: The Business of Gastroenterology (US) is an independent service that will help pharma stakeholders understand the implications of this evolving landscape, as it will affect strategic decisions around field force deployment, contracting, specialty pharmacy engagement, clinical trial scale, and support services that will be expected from pharmaceutical partners.

FRASER HEALTHCARE

Fraser Healthcare, a growth strategy consultancy specializing in private equity funded MSO transactions, and **Spherix Global Insights** are partnering to provide an actionable overview for pharma stakeholders in the evolving market to be able to react and plan for future expansion of this model.

Research Methodology

Qualitative interviews

n=15 executives at MSOs, physicians who recently joined, influencers, specialty pharmacy representatives

Quantitative survey

Survey to practicing gastroenterologists (n=121) including:
n=45 affiliated with an MSO
n=56 not affiliated with an MSO
n=20 academic gastroenterologists

Secondary market analysis

Provided by Fraser Healthcare

Implications for Pharma

+/- What are the perceived advantages and disadvantages to the MSO structure from the perspective of physician groups?

What is the process for practice induction to an MSO and what changes occur in structure (infusion service lines), protocols, contracting, and administrative management in these transactions?

$ What near, mid, and long-term strategic initiatives are these MSOs pursuing and how can pharma best align with these?

Included In Your Subscription:

- Report and custom readout – fieldwork conducted Q4 2020
- Quarterly newsletter updates on latest acquisitions and emerging trends throughout 2021
- Tailored, commercially-relevant insights