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# PRIVATE EQUITY ROLE IN MEDICINE

## SHOULD YOU SELL?

*Presented By*

ROLLING HILLS  
ADVISORS

BOUTIQUE WEALTH MANAGEMENT

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# ABOUT YOUR SPEAKER

Christian Hutchins began his tenure in the wealth management industry at Signature Estate & Investment Advisors, LLC (SEIA) in Los Angeles, where he quickly rose through the ranks. In 2018, he helped expand the firm's practice by launching SEIA's San Francisco Bay Area office. In 2021, Christian joined LourdMurray, a highly specialized wealth management firm working with ultra-high-net-worth individuals, in Los Angeles as a senior wealth advisor. His experience offering wealth advice to business owners, entrepreneurs, and high-net-worth families led to the founding of Rolling Hills Advisors in 2023.

Rolling Hills Advisors is a boutique wealth management firm founded on the belief that wealth encompasses more than your net worth. It serves as the foundation for preserving and upholding your family's values and community.

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CHRISTIAN HUTCHINS

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Partner & Wealth Advisor*

# TODAY'S CONVERSATION

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STATE OF PHYSICIANS' WEALTH

THE MARKET FOR MEDICINE

RUNNING YOUR BUSINESS WITH THE END IN MIND

Q & A

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# PULSE CHECK

- Who here is the sole owner of their practice?
- Who here is a partner in their practice?
- Who here knows the value of their practice?
- Who here accounts for that value in their personal financial plans?
- Who here has sold or plans to sell their practice?

STATE  
OF  
PHYSICIAN  
WEALTH

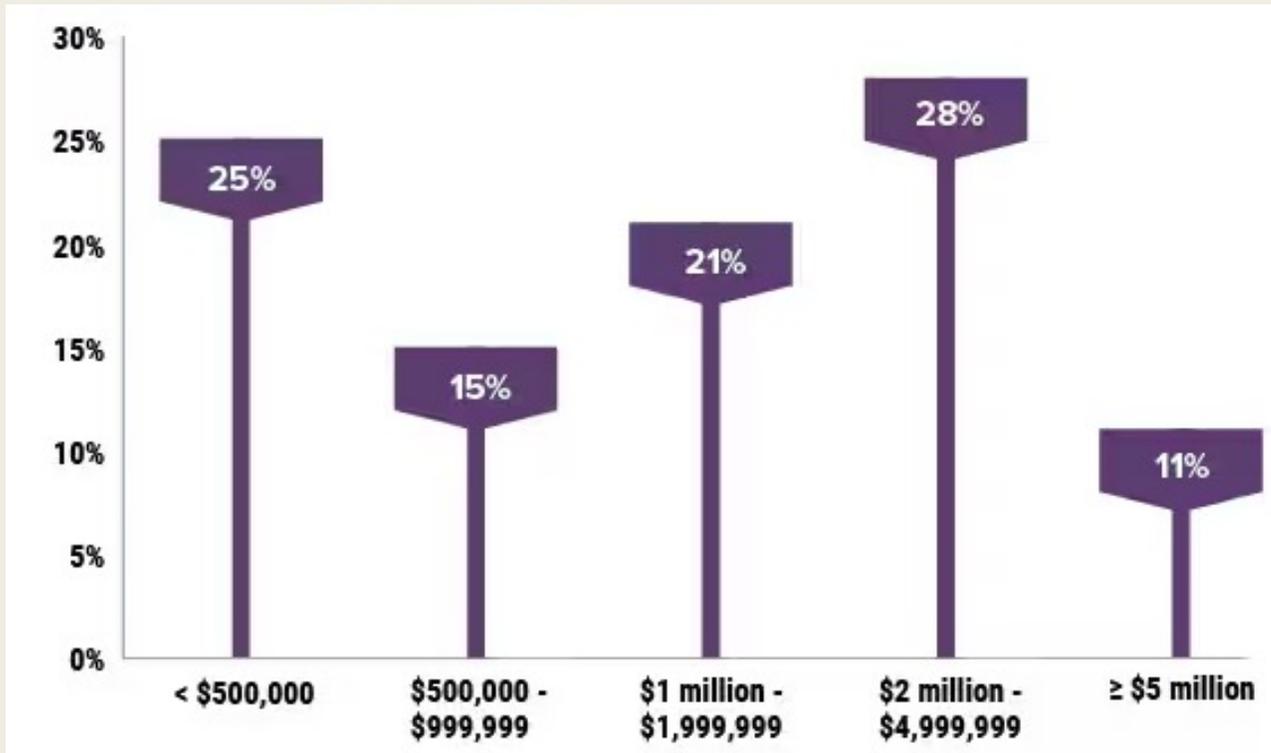


# READY, SET, GO!

## ENGINEER VS PHYSICIAN



*Provided for illustrative purposes only. Figures are based on assumptions that may not reflect actual experience. Individual outcomes vary significantly.*  
 Sources: "Engineering Manager Career Path." 4 Day Week Jobs (32hrs @ 100% Salary), 13 Aug. 2023, 4dayweek.io/career-path/engineering-manager.  
 Jerkins, Michael. "Medical Fellowship vs. Residency: Salary, Stress, Goals & More." Panacea Financial, 21 June 2024, panaceafinancial.com/resources/medical-fellowship-vs-residency-compensation-stress-goals-more/.



FAMILY NET WORTH OF PHYSICIANS (AS OF 2023)

## PHYSICIAN WEALTH ACCUMULATION

- Net worth is defined as home equity, personal property, and financial investments
- As of 2024, the average doctor considers a net worth of \$4.01M necessary to live a comfortable life.
- The average doctor over the age of 40 has a net worth of \$1.9M.

*Provided for illustrative purposes only. Figures are based on assumptions that may not reflect actual experience. Individual outcomes vary significantly.*

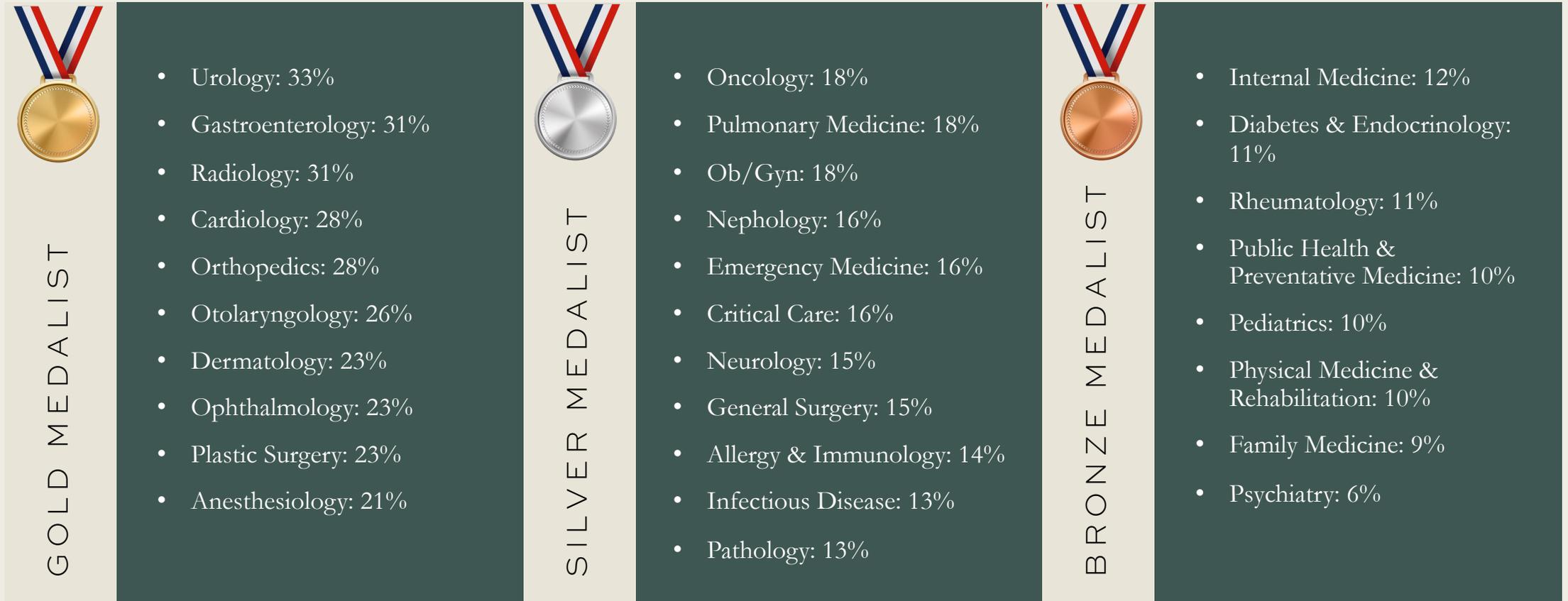
*Sources: "Building a Financial Future: Medscape Physician Wealth & Debt Report 2024." Edited by Jon McKenna, Medscape, Medscape, 12 June 2024, [www.medscape.com/slideshow/2024-wealth-debt-6017160?reg=1#1](http://www.medscape.com/slideshow/2024-wealth-debt-6017160?reg=1#1).*

*Medscape.com, 2026, [www.medscape.com/slideshow/2025-doctors-retiring-report-6018169#5](http://www.medscape.com/slideshow/2025-doctors-retiring-report-6018169#5). Accessed 3 Jan. 2026.*

# IMPROVEMENTS IN NET WORTH

- Physicians with \$1 million or more of investment assets only increased by 1%-pt from 2022 to 2023, but the increase from 2021 to 2023 was more staggering, 19%-pts.
- As with most high-net-worth individuals, we expect that the most significant shift in net worth over this timeframe is derived from investment gains or acquisition of private practices by private equity. Unfortunately, for many physicians, the possibility of business liquidity events is diminishing as private practice ownership declines.
- Changes in net worth do not account for non-business-related changes such as inheritance, external windfalls, or outside business income from activities such as expert witness testimony or qualified medical evaluations.

# SPECIALISTS WHO ACHIEVE A NET WORTH OF OVER-\$5M



*Provided for illustrative purposes only. Observations regarding drivers of net worth changes are general in nature and do not imply causation or predict individual results.*

Source: "Building a Financial Future: Medscape Physician Wealth & Debt Report 2024." Edited by Jon McKenna, Medscape, Medscape, 12 June 2024, [www.medscape.com/slideshow/2024-wealth-debt-6017160?reg=1#1](https://www.medscape.com/slideshow/2024-wealth-debt-6017160?reg=1#1).

# THE LAST OF A DYING BREED

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Private practice ownership has been in steady decline over the last decade as more physicians have chosen hospital employment. A key driving force behind this transition is “the fiscal uncertainty and economic stress many physicians face due to statutory payment cuts in Medicare, rising practice costs, and intrusive administrative burdens.” Hospital employment has provided an alternative that improves their negotiating power regarding payment rates and lowers the administrative burden of regulatory and administrative requirements set by payers.

## PHYSICIANS WORKING IN WHOLLY-OWNED PHYSICIAN PRACTICES

- **2012** - 60%
- **2020** - 49%
- **2022** - 46.7%

The most significant decline in practice ownership has occurred among physicians under the age of 45.

# MEDICAL PRACTICE OWNERS

## THE LAST OF THE DYING BREED

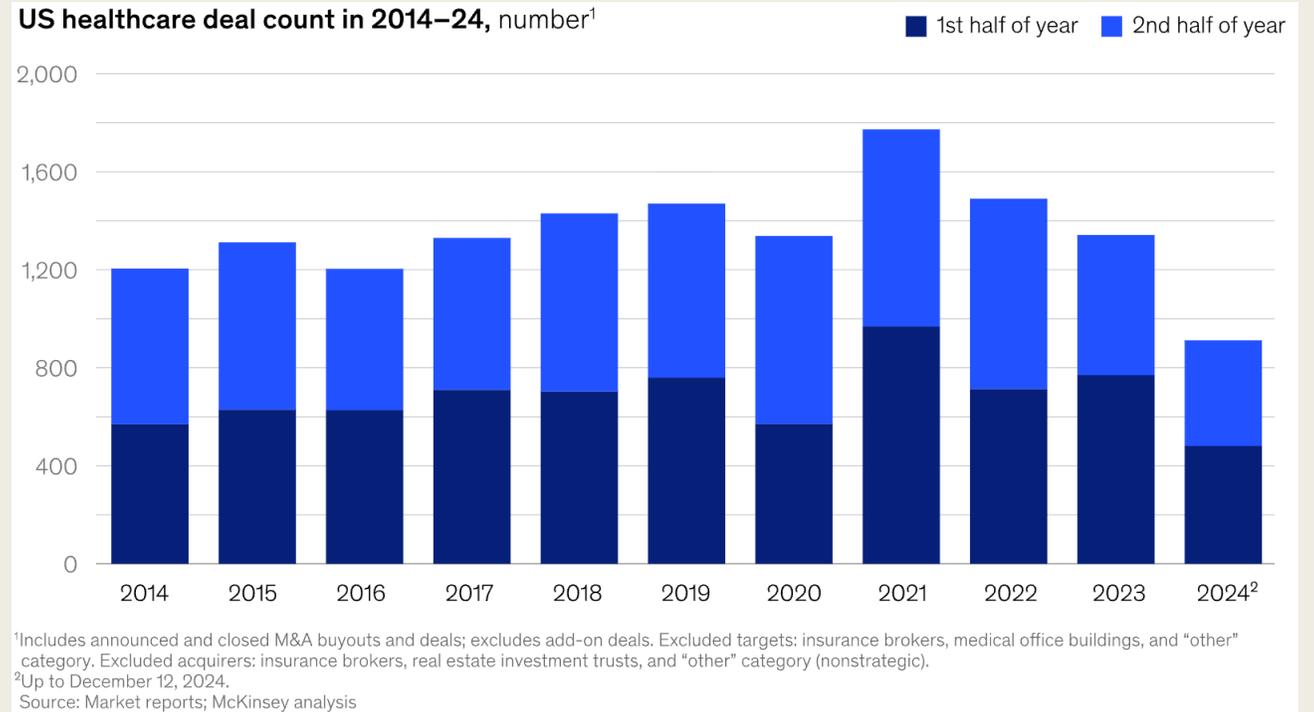
With all the challenges that come with being a private practice owner, the advantages of owning your own business are significant. From controlling your own profit & loss statement to increased retirement savings solutions (defined benefit/cash balance plans), unique tax strategies, and potential business sale opportunities, owning your own practice may be one of the best opportunities to build significant net worth.

# THE MARKET FOR MEDICINE



# STATUS OF US HEALTHCARE M&A ACTIVITY

M&A activity slowed from 2022-2024 due to poor buyer and seller alignment on multiples (attributable to higher interest rates and competition from higher growth sectors), tightening margins, and regulatory uncertainty



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# DEVELOPMENTS IN THE HEALTHCARE DEAL LANDSCAPE

- Consolidation within healthcare segments is an ongoing trend with greater than 80% of deals being “like-for-like” transactions.
- In 2024, hospitals looked to diversify their portfolios by targeting non-acute segments of the industry (~40% of all hospital transactions in 2024). Post-acute-care made up ~5% of all hospital transactions.
- Private equity faced pressure in 2024 due to elevated valuations and misalignment between buyers and sellers. “Hospital, physician, and post-acute-care sectors have experienced the sharpest relative declines, at 70 percent, 38 percent, and 35 percent, respectively.”

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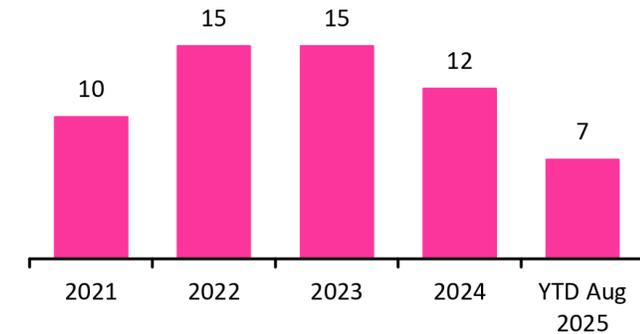
# PAIN MANAGEMENT INDUSTRY

- The pain management services industry is expected to grow from \$44.5B in 2024 to \$53.6B in 2030 (3.1% compound annual growth rate) fueled by an aging population, a persistent rise in chronic pain, and the development of new technologies.
- As the age-65 and older population of the country continues to expand, the population of individuals who experience chronic pain expands (36% of individuals over the age of 65 suffer from chronic pain).

# WHAT IS DRIVING VALUATIONS?

01. Recurring Revenue & Growth
02. High-Margin Services: Businesses offering interventional procedures and ASC ownership provide higher margins.
03. Comprehensive Services: Practices that own complementary businesses, such as procedure centers, imaging, physical therapy, and lab services, can increase per-client revenue.
04. Diversified Reimbursement Sources: Medicare, commercial, VA, etc.

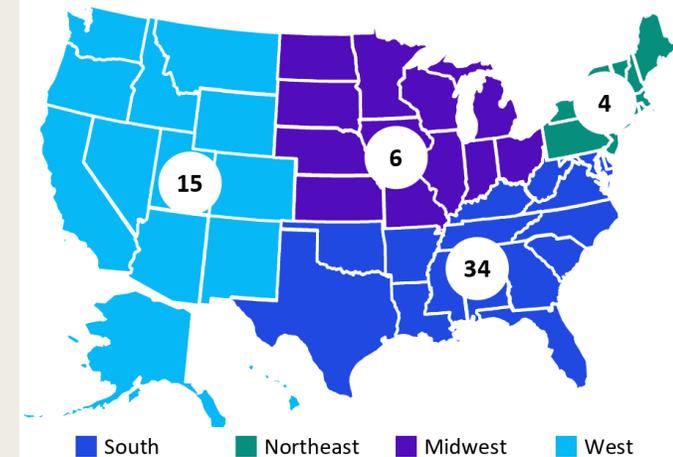
Deal activity since 2021



Sources:

<sup>(1)</sup> Capital IQ, Pitchbook, and Press releases.

Deals activity by geography since 2021



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# PAIN MANAGEMENT DEAL LANDSCAPE

- The Southeast continues to be an attractive region for acquirers with numerous buyers invested in the region.
- The pain management industry remains fragmented with many small to mid-sized providers. This is the ideal landscape for roll-ups and consolidation. As of 2023, only 8.3% of US pain physicians worked for private equity-backed companies. This indicates there is significant room for further investment in the space.
- Many of the PE-backed pain management companies are acquiring new practices to add to their platform.
- In 2025, Summit Spine & Joint (private equity owned) was sold to another PE firm, which means that the investment thesis for private equity firms to invest in pain management firms is proving successful.

RUNNING  
YOUR BUSINESS  
WITH THE  
END IN MIND

SHOULD YOU SELL?



# EXITING YOUR BUSINESS IS INEVITABLE

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It is a known fact that 100% of us will exit our businesses one day, and yet, 50% of business exits are unplanned and can typically be categorized under one of the five D's:



While business owners have many trusted advisors, many business owners delay engagement with formal business succession planning. In fact, 95% of business owners agreed with this statement:

“Having a transition strategy is important for my future as well as the future of my business.”

And yet, 58% of owners have no written transition plan, and 26% have done no planning at all.

# THE TOP MISTAKES IN EXIT PLANNING

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01.

## WAITING TO PLAN UNTIL YOU ARE FORCED TO SELL.

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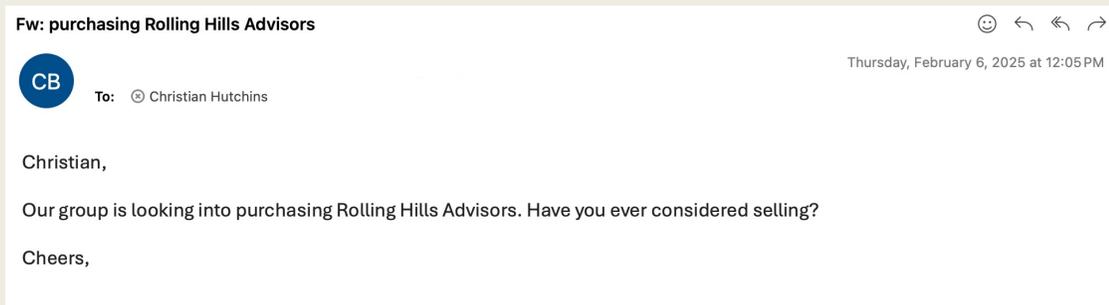
Many small- to mid-sized business owners fail to consider exit planning when things are going well for the company. Planning far in advance allows you to articulate your goals, prepare your business for sale, and seek the best possible liquidity event.

02.

# WAITING FOR A DEAL TO COME TO YOU, RATHER THAN PROACTIVELY SEEKING THE DEAL YOU WANT.

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*Have you ever received an email like this?*



Waiting for the perfect deal is like trying to win the lottery. You might get lucky, but it's not likely to fall in your lap. There is an exit opportunity out there that matches your objectives, but finding it will require a lot of time and effort. Unless you take the time to develop and implement an exit plan, it's unlikely you'll ever find that deal.

## 03.

## FAILING TO CONSIDER ALL LIQUIDITY OPTIONS.

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Many business owners believe an outright sale of the company is their only exit option, but an ultimate liquidity event can take many forms.

Other top exit planning mistakes include getting distracted from the overall goal, not knowing what the company is worth, failing to consider your goals post-exit, not using professionals to guide you through this process, and underestimating the time required to close a deal.

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# EXIT OPPORTUNITIES

Options for exiting a privately owned physician practice will be either “inside” or “outside” transactions.

- “**Inside**”: Intergenerational transfer, management buyout, sale to existing partners, sale to employees (ESOP)
  - “**Outside**”: Sale to third party, recapitalization, IPO, orderly liquidation
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# OPTIONS FOR TRANSFERRING OWNERSHIP



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# PRIVATE EQUITY: THE FINANCIAL BUYER

A financial buyer is looking for investment opportunities. Each investment target is treated as a standalone business expected to perform on its own merits. Private equity firms in this space often look to improve the valuations of their portfolio companies by driving organic growth and cutting costs.

Many financial buyers will look to acquire a company that can serve as the foundation for future acquisitions and roll new investments into it. The ‘roll up’ strategy turns a financial acquisition into future strategic acquisitions.

Since a financial acquisition does not have the economies of scale that a strategic acquisition does, and future capital investment may be needed in this type of business, financial buyers typically pay a lower price for these targets.

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# PRIVATE EQUITY: THE STRATEGIC BUYER

A strategic buyer is an acquirer typically in the same field as their target business and see the target as aligned with their long-term business goals. The acquisition may help them expand their client base or bring services in-house. Commonly, acquisition targets are competitors or help the acquirer overcome a weak spot in their business.

Since a strategic buyer's acquisition target can be quickly integrated into their business with limited operational expenses, the price paid by strategic buyers is often higher than financial buyers.

In today's market, many strategic buyers in the private market have already been acquired by private equity and are using the capital of the private equity company to make acquisitions.

# HOW IS YOUR BUSINESS VALUED?

01.

Market Approach

02.

Discounted Cash Flow Method

03.

Cost Approach

# MARKET APPROACH

ENTERPRISE VALUE = PROFIT (OR REVENUE) X MARKET MULTIPLE

- The value of a business interest is equal to the value of a similar business or security.
- Guideline Public Company Method
  - This methodology uses comparable businesses that trade in the public markets to establish a valuation. The goal of this method is to determine a usable multiple on earnings (EBITDA) or revenue to derive a market-based value.
- Guideline M&A Transactions Method
  - This methodology uses the actual prices paid in recent mergers and acquisitions (M&A) of similar businesses. The goal of this method is to determine a usable multiple on earnings (EBITDA) or revenue to derive a market-based value.
- Recent arm's-length shareholder transactions also provide a value indication.

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# DISCOUNTED CASH FLOW METHOD

- Discounted cash flow modeling is the best and most commonly used method for growth companies.
- This method forecasts the earnings and cash flow of a business and then discounts the future cash flow to present value.
  - Since all buyers (internal and external) have a finite investment window, this method requires a clearly defined time period (number of years until the investment is sold again or terminated).
  - At the end of the investment period, the investor will either sell the business at a higher or lower value or terminate the business. This future-value assumption is imperative to the calculation.
  - The discount rate equals the risks inherent in the business.

# COST APPROACH

- The value of a business equals the fair market value of its assets, less its liabilities, including contingent liabilities.
- This approach is used to value tangible asset-intensive companies, real estate/securities holding companies, or firms in financial distress.

# UNDERSTANDING MARKET MULTIPLES

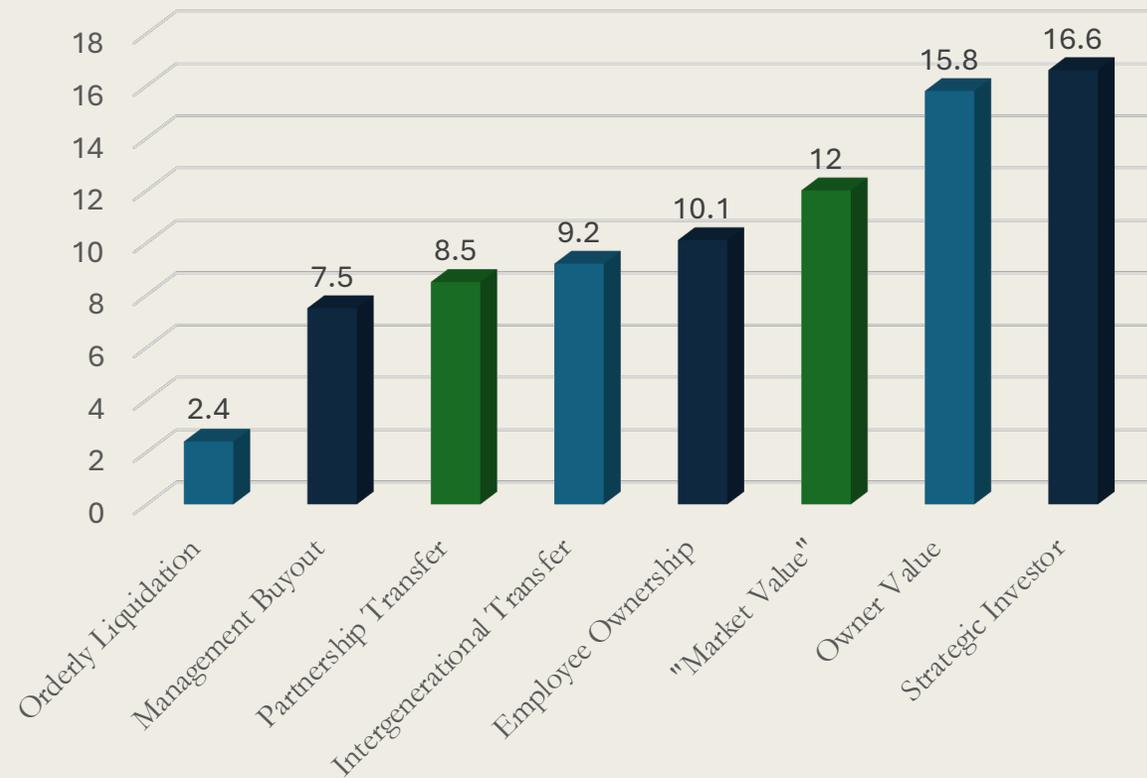
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Market multiples are not fixed even in the same industry or profitability range.

A physician practice with older management, no Gen-2 doctors, and years of flat revenue may be valued at an earnings multiple of 7x, while a physician practice with similar earnings but higher growth and a defined Gen-2 transition plan may receive an earnings multiple of 13x.

*Buyers are not only buying today's profits – they are buying the future profits of the enterprise.*

# DIFFERENT BUYER – DIFFERENT MULTIPLE



*The valuation multiples shown are illustrative industry observations and are provided for general educational purposes only. They do not represent actual transaction results, expected outcomes, or valuations for any specific business. Business valuations and transaction pricing vary materially based on numerous factors, including financial performance, growth prospects, payer mix, regulatory environment, deal structure, market conditions, and buyer-specific considerations. There is no guarantee that any business will achieve the multiples illustrated or consummate a transaction with any particular buyer type.*

*Source: 2023 National - State of Owner Readiness. Exit Planning Institute, 2023. Accessed 2 Jan. 2026.*

# SHOULD YOU SELL?

—————  
*Of course!*

But,

The real question is when, to whom, and how you construct a plan to execute an exit with you and your company's best interests in mind.

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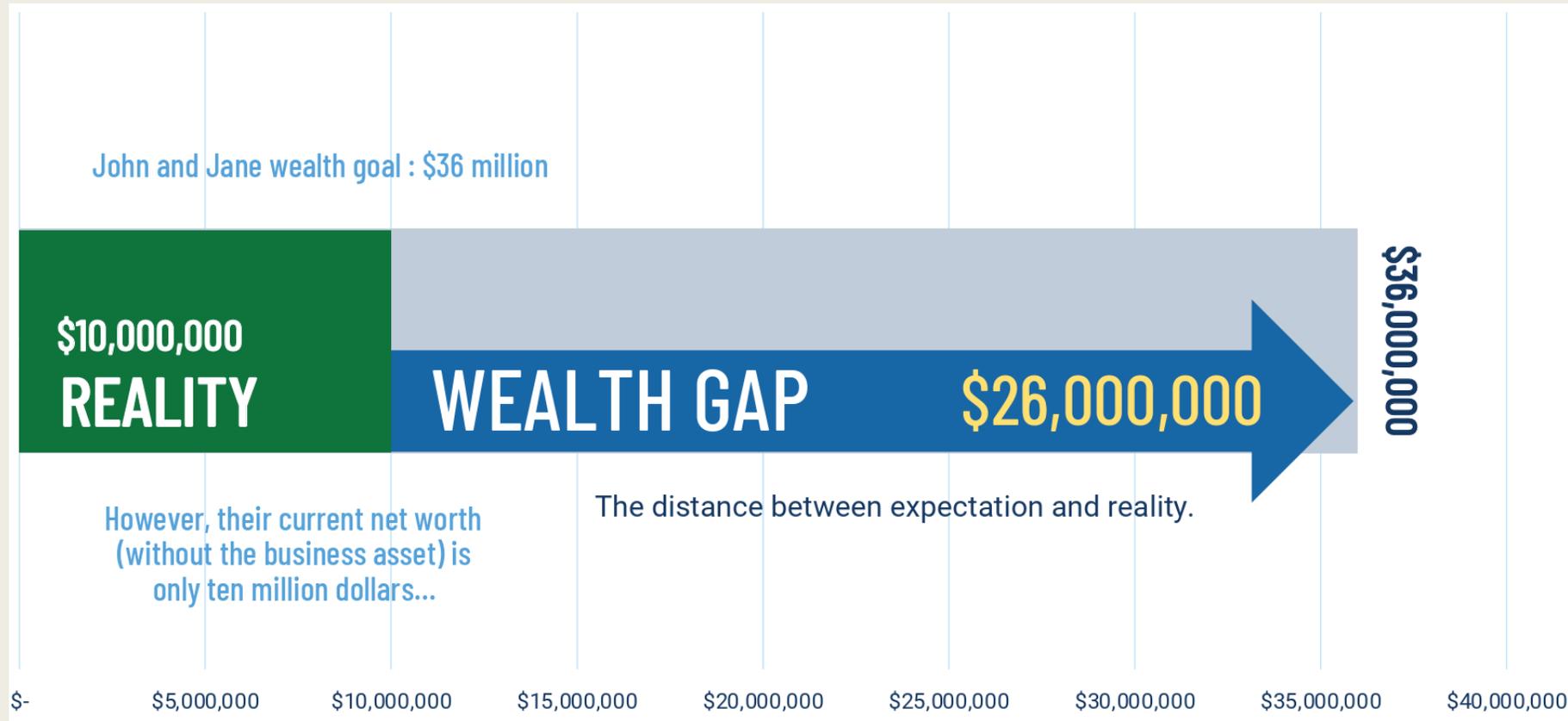
# STEP 1: DETERMINE YOUR WEALTH GAP

## WHAT IS THE WEALTH GAP?

The wealth gap is the difference between total assets needed for your retirement and total assets available (not including the business).

By constructing a thorough financial plan that accounts for needs, goals, and aspirations, we can determine an approximate number for what a business owner's "need" might be. This is your personal wealth gap. From there, we can determine the required business value to close that wealth gap.

# EXAMPLE: WEALTH GAP



*This example is hypothetical and provided solely for illustrative and educational purposes. The individuals, figures, and financial goals shown are not actual clients and do not represent the results, goals, or circumstances of any specific person. Financial goals, net worth, and "wealth gap" calculations are based on assumptions that vary significantly by individual. There is no guarantee that any strategy, asset, or business interest will achieve the outcomes illustrated or close any perceived wealth gap.*

Source: Snider S, ed. *CEPA Program Workbook*. Exit Planning Institute; 2026.

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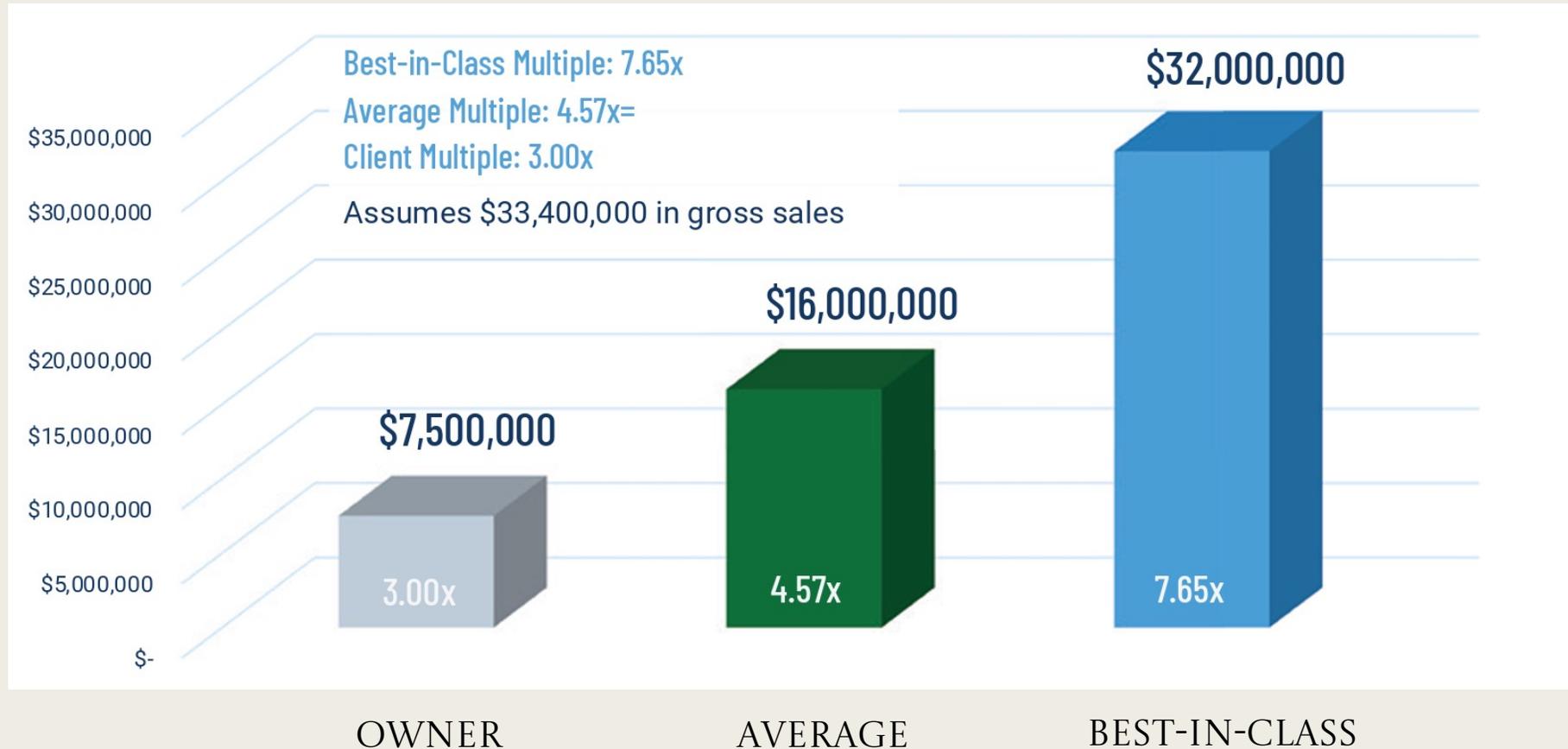
# STEP 2: DETERMINE YOUR BUSINESS' VALUE GAP

## WHAT IS THE VALUE GAP?

The value gap is the difference between your business's value and that of best-in-class firms.

By obtaining an independent strategic business valuation and completing a thorough attractiveness and readiness report, a business owner can determine an approximate value for their business. This number can then be compared to the valuations of best-in-class competitors to solidify your value gap.

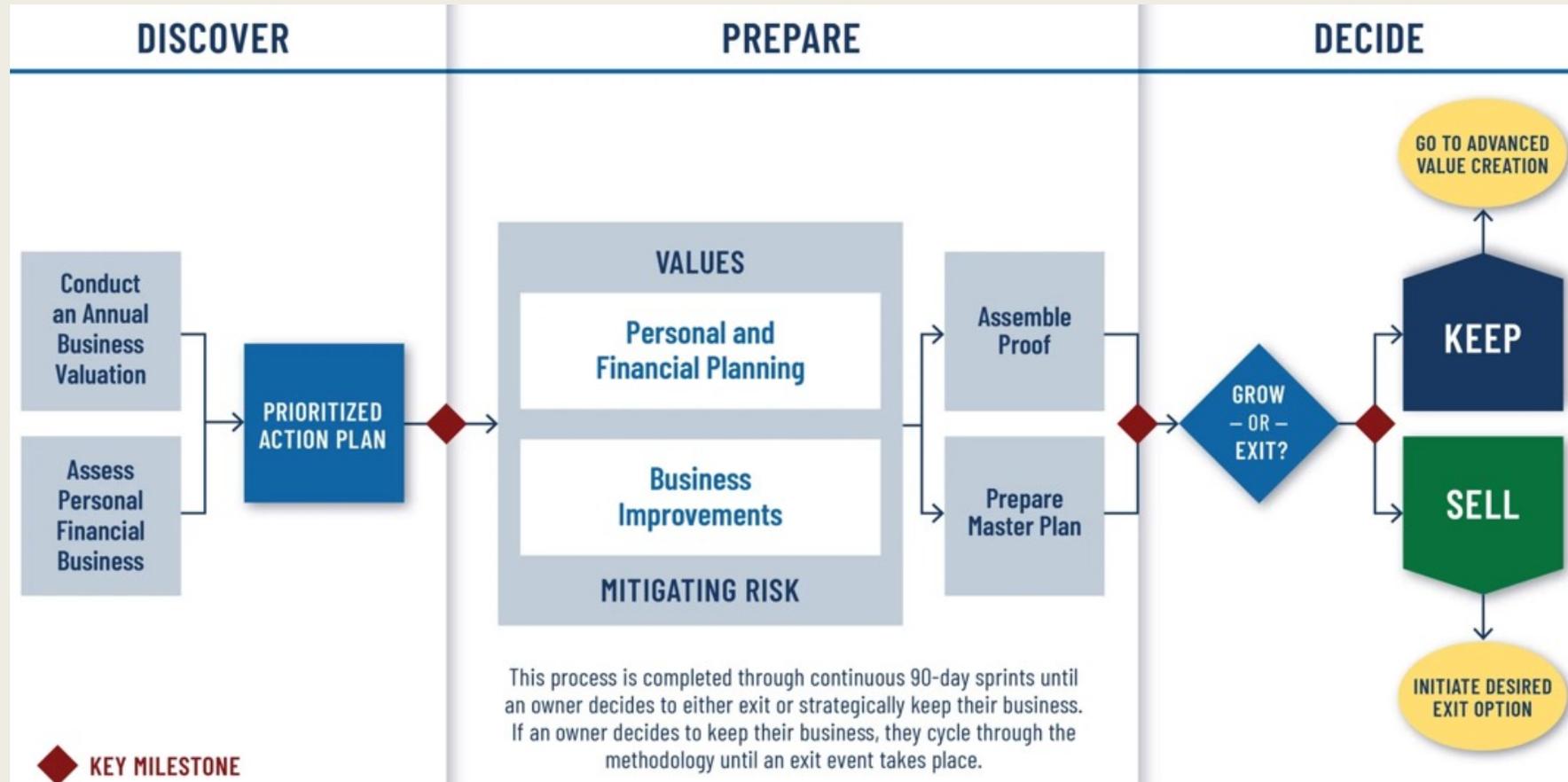
# EXAMPLE: VALUE GAP



*This example is hypothetical and provided solely for illustrative and educational purposes. The figures, valuation multiples, and outcomes shown are based on simplified assumptions and do not represent actual client results or expected outcomes for any specific business. Business valuations and transaction outcomes vary materially based on numerous factors, including financial performance, market conditions, operational structure, management depth, payer mix, and buyer demand. There is no guarantee that any business can achieve the valuation multiples or outcomes illustrated.*

Source: Snider S, ed. *CEPA Program Workbook*. Exit Planning Institute; 2026.

# THE EXIT PLAN



*This diagram illustrates a generalized exit planning framework and is provided for educational purposes only. It is not intended to represent a required process, a recommendation, or a guarantee of any outcome. Decisions regarding whether to grow, retain, or sell a business are highly individualized and depend on numerous factors, including personal objectives, financial circumstances, market conditions, regulatory considerations, and risk tolerance. There is no assurance that any planning process will result in a transaction, value enhancement, or desired outcome.*

Source: Snider S, ed. *CEPA Program Workbook*. Exit Planning Institute; 2026.

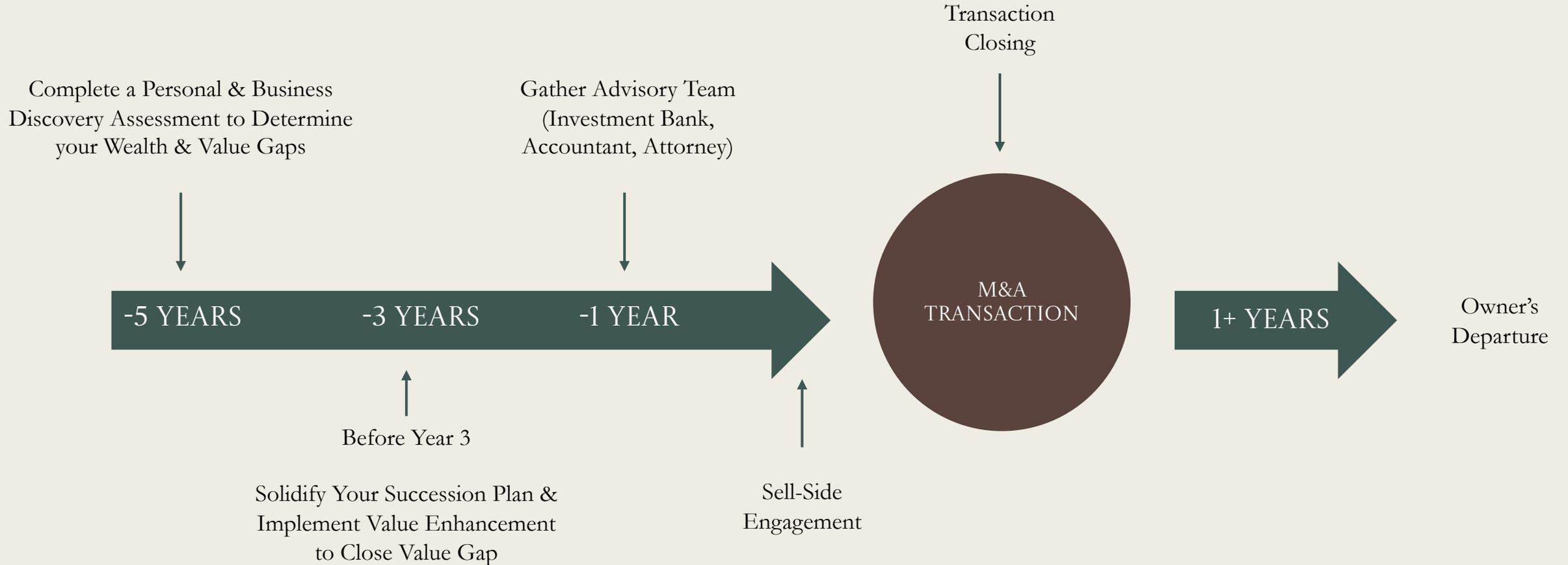
# WHEN TO SELL

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As previously mentioned, we will all be exiting our businesses someday. The timing of that event may not be within our control, but through proper planning, you can protect against the five D's, while also maximizing the outcome of a controlled exit.

The perfect time to sell is when the value of your business closes your wealth gap, and you can live a life of significance that aligns with your purpose, values, and legacy.

# THE EXIT TIMELINE (IN A PERFECT WORLD)



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# BUILD YOUR TEAM TO ADDRESS KEY PLANNING OPPORTUNITIES

- **Investment Banker:** Your investment banker will represent you through the selling process. Their job is to present your business in the best light and obtain the best possible sales prices. Investment banks can be generalists or highly specialized, focusing exclusively on the healthcare sector.
- **Accountant:** Your accountant's job is to prepare your business's financials for sale (e.g., adjust earnings to remove personal expenses) and prepare transaction tax projections for your financial plan.
- **M&A Attorney:** Your attorney's responsibility is to review all documents and explain the nuances of each offer. Every transaction is different, and the details of each sale are essential for an owner to understand.
- **Estate Planning Attorney:** A liquidity event creates significant estate planning opportunities that need to be accounted for in advance of a transaction. Incomplete or poor estate planning can leave your heirs with significant taxes to pay upon your passing.
- **Exit Planning Advisor:** An exit planning advisor is typically a financial advisor/wealth manager with expertise in the selling of private businesses. Their role is to guide you through the entire process, beginning with assessing your wealth and value gap. In most cases, they are the first member of your exit planning team and help you construct the rest of your team. The ability to work with the same individual before, during, and after can be invaluable for a business owner navigating the selling process.

| Q & A

