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Mergers

Berkeley Research Group buying Prism Healthcare Partners

By Tara Bannow

BERKELEY RESEARCH GROUP is buying Chicago-based consultancy Prism Healthcare Partners, a move that's expected to provide an edge in the increasingly competitive world of healthcare consulting.

Leaders say the firms are very similar, and merging will bring scale and synergies—a song that's played on repeat in healthcare. The combined company, BRG/Prism, will retain BRG's headquarters in Emeryville, Calif., and will have combined revenue exceeding \$225 million and 350 healthcare consultants. The deal is expected to close June 3.

In discussing the deal with Modern Healthcare, BRG and Prism leaders talked almost as much about their rivals as their own strengths. Plenty of firms offer the big three: reductions in labor and supply chain costs and revenue cycle improvement. But they'll provide additional perks like value-based transformation and ensuring mergers and acquisitions achieve their intended results.

In other words, BRG/Prism will be in the business of “comprehensive performance improvement,” said Paul Osborne, BRG's managing director.

Much like the health systems it serves, the consulting industry is experiencing a massive wave of consolidation. Indeed, the four largest management consulting firms—Accenture, Advisory Board, Deloitte and Huron—made up 75% of the market in 2017, according to an August 2018 report from the market research firm IBISWorld. It's driven in part by skyrocketing demand for the firms' expertise as expenses balloon, revenue shrinks, regulations and technology become more



Paul Osborne
Managing director
Berkeley Research Group

Mukesh Gangwal
CEO
Prism

complex, and the industry transitions to value-based care.

Healthcare consultants drew an estimated \$6 billion in revenue last year—with profit margins estimated at 14.8%—and are expected to hit \$7.9 billion by 2023, according to IBISWorld.

Healthcare hasn't seen this much transformation since the advent of Medicare and Medicaid in the 1960s, said Lawrence Prybil, a professor in the University of Kentucky's College of Public Health. Delivery systems are changing, the payment environment is changing and organizations are growing, he said.

Osborne and Prism CEO Mukesh Gangwal first worked together at Huron Consulting Group after it bought Wellspring Partners in 2007.

Both BRG and Prism embed their consultants within their clients' systems, in what Gangwal described as a “boots on the ground” approach. They've spent decades working in healthcare, including as nurses, pharmacists, physicians and administrators.

The core of their work is in performance improvement: working with health systems to boost margins and improve quality metrics. Seventy-five percent of BRG's clients aren't in crisis situations, but are worried about the future, Osborne said. Years ago, it was all about “slash and burn.” Now, the strategy is more holistic: investing more or less in certain service lines, considering joint ventures, stopping leakage and hiring the right physicians, he said.

“It's really about growth,” Osborne said. “It's not just about cutting costs. That's important, but you also want to grow.”

Yale New Haven Health hired BRG a decade ago with a goal of cutting \$500 million in costs in five years. Other consultancies just wanted to look at head count and apply rigorous algorithms for cutting salaries and other expenses, said Richard D'Aquila, Yale New Haven's president. BRG helped the system build a database that married its cost tracking systems to investigate areas of clinical waste, particularly around adverse events, in addition to the traditional stuff.

“None of the other cost reduction companies were interested in building a database with us,” D'Aquila said. “They wanted to come in and apply formulas and use that cookie-cutter approach. That wasn't going to work for us.”

Most importantly, BRG's consultants taught Yale New Haven's physicians to use the database, rather than depend on BRG indefinitely.

BRG/Prism also bills itself as a firm that can swoop in when a merger has gone wrong, or—better yet—to prepare before day one. Lots of firms offer financial and legal due diligence for such deals, but BRG/Prism specializes in operational due diligence.

“The financial engineers and investment bankers paint a picture which is very rosy,” Gangwal said. “In reality, a lot of those economic benefits are never realized. That's where BRG/Prism get together and help merging institutions realize promised benefits through a better analytic framework and process framework.” ●

THE TAKEAWAY

Berkeley Research Group and Prism Healthcare are the latest firms to join forces in the increasingly competitive world of healthcare consulting.

