



Bacon group launches surgery venture

Meridian has deals in four states, \$75M in commitments

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A team of health care veterans led by Buddy Bacon has lined up \$75 million in funding commitments to start Nashville's newest ambulatory surgery center company.

Meridian Surgical Partners has stormed out of the gate, buying multi-specialty centers in Omaha, Neb.; Arcadia, Calif.; and Carol Gables, Fla. The company also is developing a fourth center in Cleburne, Texas, expected to open early next year.

These projects are being funded by Arcapita Inc., an Atlanta investment group formerly known as Crescent Capital. It is hoping for a repeat performance of Medifax-EDI, the Bacon-led health care transcription services firm it bought for \$117 million in 2001. Two years later, Crescent sold the company to WebMD for \$280 million.

With Meridian, Bacon joins the provider side of health care while Arcapita enters the surgery space. The company has other investments in home health, health document processing and workers' compensation claims management.

"It's really a great value proposition for the patient, the payer and the doctor. They provide a similar level of service to hospitals, but it's more convenient for the patients and proven to have a better outcome for the patients," says Jack Draughon Jr., an Arcapita principal.

Meridian could serve as a potential successor to Surgis Inc., the Nashville-based chain that announced in January its \$200 million sale to United Surgical Partners International. The industry is filled with large, publicly traded companies such as USPI and Nashville's AmSurg Corp. and Symbion Inc., but has few privately held chains.

It's also a highly fragmented market. Research firm Verispan said last fall that only a quarter of the nation's 5,000 centers are owned by a chain.

"There's just significant market opportunity out there, just so much business opportunity out there after Surgis left," says Kenny Hancock, president and chief development officer.

To hit this market, Bacon is teaming with surgery business veterans Hancock and Catherine Kowalski, who co-founded Surgical Alliance Corp. and started what became Meridian last year.

Kowalski says her pipeline for deals is "robust." She and her team aren't disclosing growth projections, but say they want to add smartly through acquisitions and de novo projects.

The firm will partner with physician groups in multi-specialty centers such as ones that combine orthopedics and pain, giving Meridian a hedge against downturns in a specific specialty.

Surgery receives a better reimbursement rate from payers, meaning greater opportunities for those funding start-ups.

"They're great for the investor. From the specialty care viewpoint, the investors get a better return on their money. They can focus on the things they do well and gain efficiencies in it," says Denise Yennie, director of advisory services at merchant banking firm 2nd Generation Capital.

General hospitals often complain that specialty hospitals and ASCs cherry-pick the more lucrative clients without having to serve the uninsured. Mike Collins, 2nd Generation's CEO, says the current environment creates a favorable playing field for specialty providers until reimbursement equalization and public policy catch up.

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