



Virtual Academic Medical Centers and Teaching Hospitals
Institute

New, Innovative, Revenue-generating Ideas for AMCs...Beyond Patient Care

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Note: This is an abbreviated version of presentation. Client-specific information and case studies have been removed. For more information, please contact PYA.

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**Branding &
Affiliations**

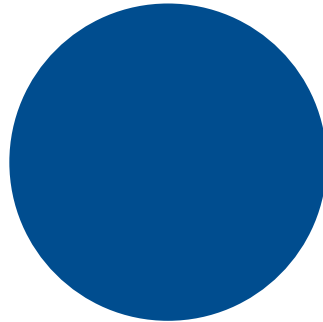
Real Estate

**Consulting
Services**

**Ancillary
Services**

**Drugs, Devices
& Data**

Private Equity



New, Innovative, Revenue-generating Ideas for AMCs

OBJECTIVES



INNOVATIVE THINKING

- Provide an overview of innovative and non-traditional business development opportunities
- Provoke “innovation-thinking” based upon hearing first generation new ideas for AMCs
- Generate ideas for your own AMC
- Assist in considering regulatory and compliance considerations associated with such ideas.

Approach



Share the knowledge and expertise of PYA, P.C. and Foley & Lardner, supported and enhanced by the experiences of several attorneys and general counsels, and utilizing case studies and interview results from AMCs and other institutions in all regions of the country.



Most Exciting Opportunities

What revenue-generating opportunities are you most proud of?



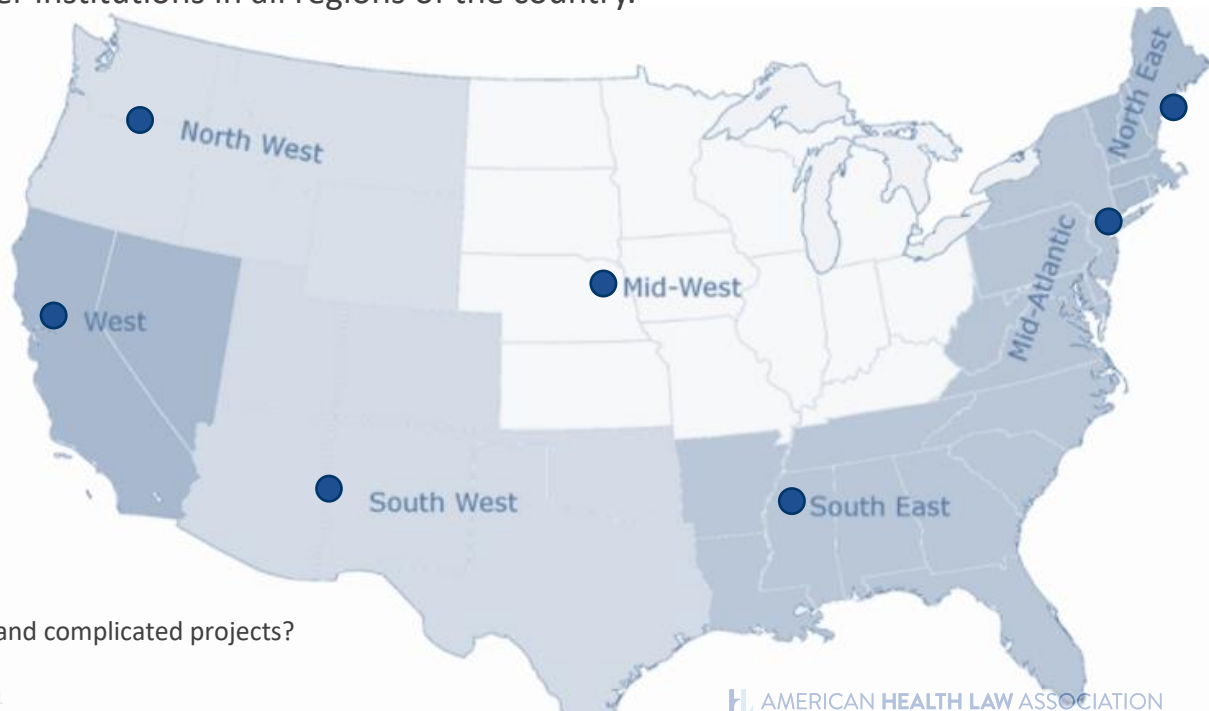
Goals and Metrics

Are there goals for revenue-generation outside of patient care? Does the Legal Department have an active role?



Legal Lessons Learned

What have been the most legally challenging and complicated projects?



Legal Department Needs to be the Navigator of Future Revenue Generation



REVENUE GOALS

“...Net Income from Transformative Activities”

“...Strategic Capital Fund”

“...Long-term Investments in Private Equity”

“Target defined in strategic plan for specific percentage of **FAILED** opportunities”

“It’s harder to generate adequate margin just caring for patients in the hospitals and clinics”.

“To make progress... we need to increase our willingness for failure”.



Ancillary Services



There continues to be a place for investment in ancillary services facilities to access additional revenue streams and expand the patient base.

- Ambulatory Surgery Centers
- Imaging Centers
- Urgent Care
- Wellness Centers



OPPORTUNITIES

- “Employed physicians may not be able to participate in JVs”
- Compensation / distribution to owners
- For-profit tax status
- Impact on Brand
- F&A Analysis
- Billing Compliance, eg, 3-day DRG payment window



BUSINESS CHALLENGES & RISKS

“

*“Our board
does not want
our brand for
sale”*

These
statements
are not
mutually
exclusive, or
at least they
do not have
to be

“

*“Our brand is
very valuable
to our
organization
and to
others”*

Branding & Affiliations



An AMC and its brand are valuable. While some organizations are reticent to capitalize on this value, others are seeking ways to monetize this hard-earned asset.

- “Financial model inputs are too ‘squishy’ making defining an ROI too difficult”
- “We play with our brand every time we do a deal”
- “Board may review a transaction to determine the appropriateness of allowing the other party to use the name or marks and the spirit of that use”

- Brand Licensing
- Care Network subscriptions
- External Affiliations
- Securitize Brand
- Contract Services to Extend Brand Use

- Brand Tarnishment
- Board Review
- Attaching Value
- Defining ROI
- Ownership Model Restrictions



OPPORTUNITIES



BUSINESS CHALLENGES & RISKS

LEGAL CONSIDERATIONS



- 1 **Contemplate How Others are Benefiting from Your Brand**
- 2 **Anticipate All Costs: Reimbursement, Payers, Legal Defense if Sued**
- 3 **Board Receptiveness**
- 4 **Establish Strict Brand Use Rules and Quality Monitoring**
- 5 **Generalized marketing vs. referral solicitation. Support by services delivered.**

“We zealously guard use of our brand and logo. The brand is good because the value we offer is so high.”

BRANDING & AFFILIATIONS



Consulting Services



AMCs leverage their best practices as consulting services primarily to other healthcare organizations to improve care while generating additional revenue streams.

- “Recruiting legal team with international expertise provides great value”

- Virtual Care
- Digital Care Protocols
- Clinical Consults
- Administrative Consulting (Legal, IT, Strategy)
- International Advisory Services
- Reference Laboratory
- GPO Expansion



OPPORTUNITIES

- Conflicts with AMC faculty/physicians wishing to provide individual consultation to same organizations as AMC
- Risk management/liability
- UBI?
- F&A analysis

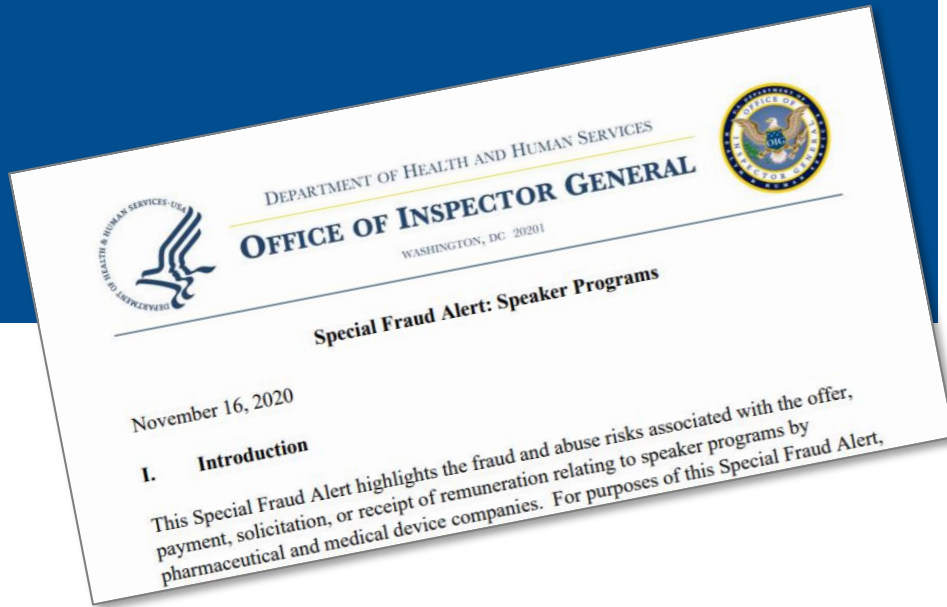


BUSINESS CHALLENGES & RISKS

LEGAL CONSIDERATIONS



- 1 Define Brand Use Rules with Certain Consulting Services
- 2 Most Consulting Services/Programs have Own Staff, Including Legal
- 3 If practitioners paid for public speaking for AMC, content review and disclosure as a paid consultant is key



CONSULTING SERVICES



Private Equity

AMC as investor in start up organizations to generate additional revenue streams. Investments may be internal or external to AMC. Relationship with outside private equity firms provides additional expertise and exposure to the AMC.

- “If it isn’t what you do well, you need to partner with someone who does.”
- “Having industry understand that we are still an AMC at the end of the day is a challenge. Who we are and how much risk we can tolerate in a transaction is what we spend our time educating industry on when pursuing relationships.”

- Intellectual Property (IP) Licensure
- Passive Investing
- Larger, More Strategic Transactions
- Non-Healthcare Investment
- Sponsors to Fund AMC or Sponsor-owned Project Development

- Public Perception
- Potential Financial Losses
- Staff Capacity and Competency
- Take on Too Much
- Low Risk Tolerance



OPPORTUNITIES



BUSINESS CHALLENGES & RISKS

“How The Mighty Fall” By Jim Collins

You build a successful flywheel

You succumb to the notion that new opportunities will sustain your success better than your primary flywheel

You divert your creative attention to new adventures

The new ventures fail outright, siphon off your best creative energy, or take longer to succeed than expected

You turn your creative attention back to your primary flywheel only to find it wobbling and losing momentum

“120 people are charged with coordinating industry relationships in research and managing the intellectual property portfolio that comes from this.”

PRIVATE EQUITY



LEGAL CONSIDERATIONS



- 1 Tax Considerations**
- 2 Passive vs Active Investment**
- 3 Contract with Outside Firm for Expertise**
- 4 Assess Compliance Concerns**
- 5 Safe Harbors**

Drugs, Devices & Data



Monetization of pharmaceutical discoveries and technology-enabled innovation (molecular diagnostics, AI, Big Data, clinical devices)

- “Ensure legal counsel is knowledgeable in these new investment areas”
- “Consider equity relationship potential for any new vendor”
- “Ensure AMC staff has capacity and skill to implement”

- IP Securitization
- Software Licensure
- Genomic Sequencing
- Drug, Device & Diagnostic Accelerator
- Specialty Pharmacy
- International Telemed
- Transformation Office / Innovation Center



OPPORTUNITIES



BUSINESS CHALLENGES & RISKS

- Digital innovation ROI difficult to measure
- Educating on entrepreneurship
- HIPAA implications
- High Financial Risk
- Clear evidence of direct financial benefit of some technologies (i.e. wearables) yet to be proven

LEGAL CONSIDERATIONS



- 1 Add Legal staff with latest investment knowledge (i.e. data privacy)**
- 2 Establish Separate For-Profit LLCs**
- 3 Legal Should Have a Seat at the Table, e.g., imbed legal team member into business development office**
- 4 Develop value-based arrangements where AMC Maintains a Role in the Connected Devices/Virtual Care Value Stream**
- 5 Conflicts of interest with internal ownership; Involve Outside Investment to Reduce Risk**

DRUGS, DEVICES & DATA



Real Estate



Strategic real estate monetization approaches can free up funds to finance key initiatives, improve financial ratios, and support long-term organizational strategic goals.

- “We have ton of empty real estate since Covid”
- “Real estate is a great way to create alignment and to manage service offerings on campus”

- Capture all rentable SF
- Track Assets Accurately
- Sale and Lease Back
- Scale Down or Outsource
- Convert Admin R.E. to Higher Use
- JV Parking, ASCs, Imaging
- Sublease or Convert
- “Air Space”
- Energy



OPPORTUNITIES

- Relationships more important than bricks and mortar
- If new business fails, AMC left with the real estate
- Third party involvement can impact branding options
- Long term lease commitments



BUSINESS CHALLENGES & RISKS

LEGAL CONSIDERATIONS



- 1 Accurate tracking and benchmarking of R.E. operational expenses to captures full value for future financing or sale**
- 2 AMCs Under University Umbrella May Not Own or Control Real Estate / Assets**
- 3 Starting 2020, operating lease obligations will be recognized as liabilities on balance sheets**
- 4 Mitigate Transactional or Operational Compliance Pitfalls**
- 5 Property Tax Implications**
- 6 Safe harbor sensitivity to proximity or convenience to source of referrals/other business generated**

REAL ESTATE



Energy



Available energy monetization approaches range from sale of energy assets (e.g., district heating & cooling systems) to leasing rooftops or parking canopies to third parties for solar systems

- “In the Covid era, outsourcing can provide redundancy for key operational staff”
- “Monetizing energy assets can provide greater operational predictability, budget certainty”

- Energy efficiency investments using third-party funds/subsidies
- Up-front payments in exchange for long-term operational contracts
- Integrate energy procurement processes and optimize operations
- Peak-shaving demand response (chilled water tanks, on-site generation)

- Long-term obligations
- Tax and accounting issues to address
- Monitoring third-party performance, long-term warranties
- Ensure redundant systems, operational continuity



OPPORTUNITIES



BUSINESS CHALLENGES & RISKS

FINAL TIPS AND OBSERVATIONS



01	Be Innovative	<ul style="list-style-type: none">• Be as innovative as the rest of the organization.• New legal issues, more complex agreements, require legal department more than before.• Ensure legal counsel is knowledgeable in these new investment areas.<ul style="list-style-type: none">• National/international expertise• Data Privacy• Private Equity• Imbed legal team with clients and understand what they do.
02	Be Leaders	<ul style="list-style-type: none">• Be more externally facing and move things forward.• Opportunity to lead new deals.• Consider equity relationship potential for any new vendor
03	Be Flexible	<ul style="list-style-type: none">• Increasing pressure to leverage technology better and do things with fewer people in smarter ways. Legal departments that lose sight of this do so at their own peril.• Don't take on too many ventures at once.• Ensure AMC staff has capacity and skill to implement.• Help pursue initiatives in a legal and compliant way with speed.

PRESENT

“Legal department viewed as keeping the AMC out of trouble, holding the AMC back”.



FUTURE

“Legal Department is essential to promoting growth of the organization and to propelling transformation”.

- Be as innovative as the rest of the organization.
- New legal issues, more complex agreements, require legal department more than before.
- Ensure legal counsel is knowledgeable in these new investment areas.
 - National/international expertise
 - Data Privacy
 - Private Equity
- Imbed legal team with clients and understand what they do.



- Be more externally facing and move things forward.
- Opportunity to lead new deals.
- Consider equity relationship potential for any new vendor

“Non-core revenue is critical to fulfilling our mission and also really fun”.



- Increasing pressure to leverage technology better and do things with fewer people in smarter ways. Legal departments that lose sight of this do so at their own peril.
- Don't take on too many ventures at once.
- Ensure AMC staff has capacity and skill to implement.
- Help pursue initiatives in a legal and compliant way with speed.

“One success from these activities is allowing the legal department to have support for adding additional FTEs”

Thank you!



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