

SCALE Case Study

Performance Assessment & Improvement Plan – DSO

Client Profile

Size
250 clinics

Location
6 states

Specialty
DSO

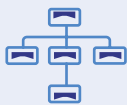
Services Deployed



Consulting



Data Analytics



Strategic Planning and Execution

Overview

A multi-specialty DSO with approximately 250 clinics across 6 states was experiencing meaningful growth up until H2'22, when hurricane-related site closures, expense management challenges, new provider hire-ramp up, and challenging labor markets led to a high leverage ratio, resulting in a limited availability of capital. Additionally, wide performance dispersions across certain historical acquisitions and regional markets created further downward pressure on margins. The underperforming sites coupled with the DSO's suboptimal reporting and analytics program led management to engage SCALE to formalize a performance improvement plan for its lenders.

Execution

SCALE was engaged for an initial 2-week period to evaluate the current state of the company and provide an opinion on its future viability. Subsequently, based on this assessment, the 2L lenders opted to pursue a change in control. SCALE guided the company through this transition, conducting a comprehensive assessment of store performance, corporate infrastructure, and growth possibilities. Additionally, SCALE managed the project during the change in control process, engaging in discussions with the company, its sponsor, and the 1L and 2L lenders. SCALE's process began with a comprehensive assessment of the client's business, which included an in-depth review of financial performance, operational data, and market position. SCALE met with the client's management team to gain a better understanding of the challenges faced and the goals for a turnaround. SCALE tapped into its expansive network of subject matter experts to provide further specialized insight. Ultimately, SCALE was able to identify and develop an improvement plan for each of the various clinics and markets.

Results

SCALE made near-term, mid-term, and long-term recommendations regarding underperforming sites & performance turnaround, cash flow, financial reporting, and determined cost savings opportunities for HR, IT, and RCM. The final report was presented to the client's private equity sponsors and ultimately received praise for its exhaustive and targeted findings. The assessment resulted in the successful implementation of the change in control, and SCALE has continued to be involved in a PMO role to supervise the implementation of our recommendations.

Key Growth Opportunities	
Theme	Description / Est. EBITDA Uplift
1. Payer Rate Negotiation	Benchmarking data suggests opportunity to improve rates in key markets, implying an 8-15% uplift to EBITDA across the network
2. GP Optimization	Improving productivity of underperforming GP doctors by improving provider retention, enhancing provider onboarding training and development, increasing Saturday scheduling utilization, and developing Dental Assistant capabilities would represent a 7-9% uplift to EBITDA.
3. Specialty Optimization	Expanding specialty coverage and productivity in underperforming regions would represent a 4-8% uplift to EBITDA
4. Hygiene Optimization	Improving hygiene coverage and productivity in underperforming sites to get to benchmark represents a 2-3% EBITDA opportunity
5. Acquisitions	Completing 1 to 3 acquisitions in existing markets with strong operational leadership can increase EBITDA by 5-14%
6. Corporate Headcount Reductions	Potential PSC headcount reductions based on 3 year forecast model can increase EBITDA 5-6%
7. Growth Expansions	Strategically pursue expansion opportunities to realize an incremental 3-6% uplift in EBITDA
8. Medicaid Expansion & Optimization	Strategically increase Medicaid coverage in underutilized sites, representing a 1-2% EBITDA uplift opportunity
Total Est. Range of EBITDA Improvement	
34% - 63%	