

# Merritt Healthcare Advisors leads first-of-its-kind \$75 million investment in regional cardiovascular practice, driving market expansion

## Locations

18

## Annual Revenue

\$32M+

## Providers

15

## Employees

70+

## Client

CardioVascular Health Clinic (CHC)

## Challenge

- Inability to successfully negotiate with payors
- Partnership succession dynamics
- Physician recruitment
- Capital expansion (ASC expansion and development of outreach clinics)
- Restructuring business operations for scale

## Solution

End-to-end customized transaction strategy

## Results

\$75M investment deal  
Establishment of Heart & Vascular Partners (HVP)

## The Client

Founded in 2014, CardioVascular Health Clinic (CHC) is a leading provider of high-quality heart and vascular care with eleven locations throughout Oklahoma and adjacent states. A physician-led organization, CHC developed one of the first ambulatory surgical centers (ASC) focused on cardiovascular procedures in the U.S.

## Challenge

CHC first contacted Merritt Healthcare Advisors\* in 2019 after being referred by an attorney and leader in healthcare. Similar to most other small subspecialty practices, CHC was up against lower reimbursement rates and increased costs that were making it increasingly difficult to grow, scale, and negotiate with payers.

Although offering ancillary services could provide additional revenue streams, they approached a plateau and reached the limits of their current practice configuration and capital base.

Looking ahead, they also knew that the move toward a value-based healthcare model would only be possible if they were part of a larger organization. Yet it was important that they maintain a physician-driven organization. "My partner and I are older, and so we wanted to leave a legacy for our younger partners so they could thrive and disseminate our already-proven model across the U.S.," Jim G. Melton, D.O., vascular surgeon and co-founder of CHC said.

After reviewing 5 proposals, Merritt Healthcare Advisors was selected as CHC's exclusive investment banking advisor. As a boutique firm, Merritt specializes almost exclusively in subspecialty healthcare, has a background in operations, and has a proven track record for leading similar types of deals. "It was important for us to have a partner who had the same vision we did, and Merritt spent the time to explore that vision. They're independent, and they also knew more about our space than most investment bankers did, and personality-wise, we hit it off right out of the gate," Melton said.

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**JIM G. MELTON, D.O., VASCULAR SURGEON AND CO-FOUNDER OF CHC.**

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## Solution

At the time that CHC initially engaged with Merritt Healthcare Advisors, private equity firms were only beginning to look at cardiovascular deals, which made the deal unique and challenging.

At the onset of the engagement, Merritt Healthcare Advisors conducted comprehensive data gathering, requested due diligence information, and interviewed internal stakeholders. Due diligence is a critical part of the process, and Merritt Healthcare Advisors ensured CHC was optimally positioned in the market.

Then, Merritt Healthcare Advisors reviewed and adjusted CHC's financial statements to develop an accurate picture of its value to investors. "The analytics they provided were second to none, particularly because this space was completely new," Melton said.

Merritt Healthcare Advisors then developed comprehensive and compelling marketing materials to inform potential investors about the opportunity. Concurrently, Merritt Healthcare Advisors created a list of qualified and interested prospective investors. The list was comprised of those that Merritt Healthcare Advisors had existing relationships with as well as those they identified that had invested in similar opportunities.

They then conducted an initial outreach of potential buyers and identified a list of those who confirmed interest. Letters of Intent (LOIs) were sent to potential buyers, and hundreds of buyers were identified and asked to present their terms and strategies for growth. With the guidance of Merritt Healthcare Advisors, CHC compared the offerings and had the opportunity to ask questions of each potential buyer. Together, they then discussed the pros and cons of the terms and each buyer's capabilities.

"They took the time to educate us on private equity models and if an acquisition didn't occur, what would happen, as well as what to expect at close," according to Melton. "They were also extremely responsive, and there was never a delay—even during the pandemic."

After negotiating key points, Merritt Healthcare Advisors requested best and final offers. Then approximately 20 buyers were given access to more comprehensive data in order to finalize the offers.

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## Results

In April 2021, CHC selected Assured Healthcare Partners (AHP) as their partner due to AHP's successful investing experience partnering and growing physician practice management platforms across many other specialties and their alignment on strategic vision and longer-term development of value-based care initiatives. With a commitment to providing long-term value, Merritt Healthcare Advisors worked with CHC and AHP to complete diligence on the transaction and facilitate the process with accounting firms, insurance and benefits firms, and other experts. As the close of the deal neared, Merritt Healthcare Advisors also worked with CHC's attorneys to negotiate and finalize the legal documents required for the transaction.

The deal was one of the first cardiovascular consolidation deals in history, and as a result, is recognized as the impetus for subsequent private equity interest and investment.

The \$75M deal closed in November 2021, and Heart & Vascular Partners (HVP) was formed with CHC as the partner practice and model for future development and investments in other targeted markets. HVP is a management services organization dedicated to partnering with, and supporting, cardiology and vascular practices across the U.S. HVP supports the independent practice of medicine and the opportunity for physicians to expand the breadth and reach of their practices to recognize the value that high-quality cardiovascular clinical services deliver.

Since the investment, CHC's revenue grew nearly 15% in its first year of partnership and is on track to grow an additional 15% in 2023. Operational capacity has improved, as monthly clinic visits per physician are growing >15% in 2023, and ancillary volumes are increasing 15–30%, depending on

modality. Revenue cycle and human resources efficiency and performance have similarly increased substantially since partnering with HVP. And HVP has acquired other practices across 4 states within the first 15 months of the platform's start. HVP has also established 2 ASCs and one medical business office and expanded an existing surgery center.

As a result of the deal, CHC is also now able to demonstrate its value to payers. "Without Merritt Healthcare Advisors' expertise on the deal, we would still be local and successful, but we wouldn't be able to successfully negotiate with payers. [Through the data captured and analyzed by HVP] we can show payers the savings that are quite significant compared to the hospitals," Melton said.

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