

# Business Valuation Review

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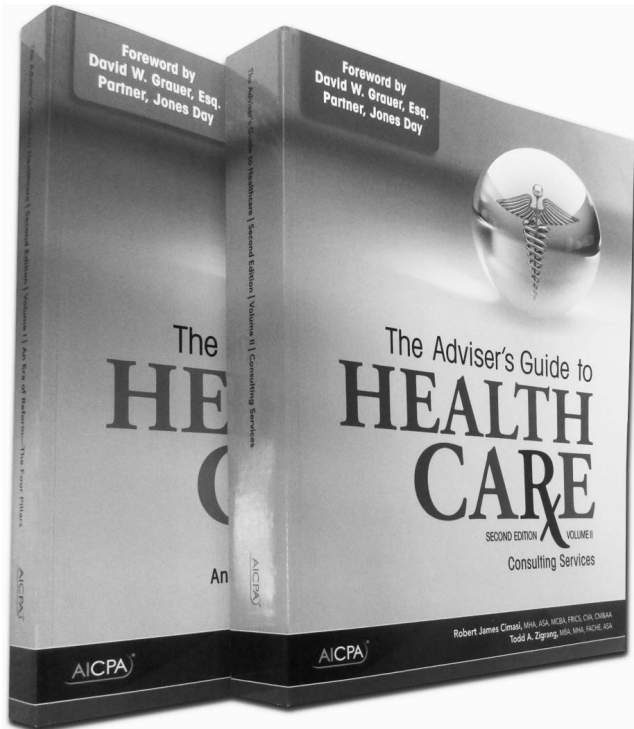
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## Book Review



***The Adviser's Guide to Health Care, 2nd ed.***, authored by Robert James Cimasi and Todd A. Zigrang. New York, New York: American Institute of Certified Public Accountants, Inc., 2015. US\$249, two-volume set, paperback.

Reviewed by Russell T. Glazer, CPA/ABV, MCBA, ABAR, ASA, CVA, MBA

This two-volume work is co-authored by Bob Cimasi, CEO, and Todd Zigrang, President, of Health Capital Consultants (HCC), who have, over the years, with their outstanding HCC team in general provided the business valuation and the healthcare consulting communities with a prodigious amount of research, literature, and guidance specific to the healthcare industry. With *The Adviser's Guide to Health Care*, Mr. Cimasi and Mr. Zigrang have added immeasurably to the consulting profession's body of knowledge.

Each chapter begins with a listing of key terms, which are explained in the text as well as in a comprehensive glossary. In addition, a table at the beginning of each chapter presents key concepts for that chapter, with a definition, a citation directing the reader to an original source, and the pages in the chapter in which the key concepts are discussed. These features make it a fairly easy

task to navigate each chapter, as well as the entire book. The two volumes also contain a thorough index and a detailed table of contents.

The text is, as advertised, intended for “consulting professionals who provide services to professional practices and related healthcare providers” (Volume I, page 5). While there is only one chapter devoted specifically to valuation topics, it is significantly informative. A portion of this chapter covers territory that should be very familiar to experienced valuation professionals. However, the chapter also contains a great deal of information on how valuations of enterprises, assets, and services in the healthcare field are unique and require specialized knowledge. For example:

In the past, professional practice valuation methodologies relied heavily upon the analysis of historical accounting and other data as predictive of performance and value. Increasingly, however, circumstances surrounding the professional practice's specific specialty and the market within which it operates may have the potential to make the historical information a less reliable indicator of the practice's future financial performance. The turbulent status of the healthcare industry during the past three decades has introduced intervening events and circumstances that may have a dramatic effect on the projections of future revenue, economic operating cost burdens. (Volume II, page 141)

This passage illustrates the need for the consulting professional to have a thorough understanding and current knowledge of the healthcare industry and is also typical of the straightforward, matter-of-fact writing style of the two volumes.

*The Adviser's Guide* includes a comprehensive review of the US healthcare industry but focuses on healthcare provider practices, specifically on the types of information and guidance of value to CPAs and other professional advisors. The publication of the *Adviser's Guide* follows several previous successful, noteworthy publications by Cimasi, including the two-volume, 1,800-page, definitive text, entitled *Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services* (John Wiley & Sons, 2014) and *Accountable Care Organizations: Value Metrics and Capital Formation* (Taylor and Francis, 2013). *Healthcare Valuation* contains a thorough treatment of the US healthcare delivery system and specifically addresses the valuation of the enterprises, assets, and services that comprise that system, both in theory and in practice. *Accountable Care Organizations* provides

extensive, practical guidance for accountable care organization (ACO) decision makers and their professional advisors with regard to the feasibility and value metrics of developing ACOs as well as the capital formation activities that are vital to their development.

The 1st edition of the *Adviser's Guide* was released in 2010, and much has happened in the healthcare industry since that time, including the implementation of the Affordable Care Act (ACA, aka "ObamaCare"), the expansion of Medicaid reimbursement to 32 states, a continuing shift from volume-based to value-based reimbursement models, and the advent of emerging healthcare organizations, among others. The 1st edition was drafted before the passage of the ACA in March of 2010, and this 2nd edition discusses the ACA in great depth.

Volume I of the *Adviser's Guide* is subtitled "*The Four Pillars*," and this 444-page text consists of six chapters. The 1st chapter traces the development of the practice of medicine from the beginning of human history and the evolution of the healthcare industry in the United States, providing a unique background for professional consultants to understand the development of the medical profession.

Chapters 2 through 5 of Volume I discuss in great depth the "*Four Pillars*" of the healthcare industry, a concept developed and long advocated by Mr. Cimasi as a useful contextual tool with which to explain and understand the value drivers of the healthcare industry. These *Four Pillars*, and the accompanying relevant chapters, address the regulatory environment, reimbursement policies, competitive forces, and technological development of the healthcare industry. The 6th and final chapter of Volume I discusses the confluence of forces that have developed

over time to set the stage for the most recent efforts at healthcare reform.

Volume II of the *Adviser's Guide* contains twelve chapters in 691 pages, each of which addresses in detail clear and thorough discussions of various aspects of the healthcare field to allow the consultant to fully understand the operations and challenges the industry faces every day.

For example, chapter 3, titled, "Compensation and Income Distribution," addresses the various ways in which physicians may be compensated, including a modified point system (wherein the physician's tasks and duties determine compensation); a factor-based system (in which standard job descriptions are developed based on expected production); or a combination of the two (an XYZ system). Other chapters include in-depth discussions of emerging models that are changing the landscape of the healthcare industry (chap. 6), for example, the changing roles and scope of practice of mid-level providers (chap. 8), technicians and paraprofessionals (chap. 9), and allied health professionals (chap. 10); as well as the competition that comes from complementary and alternative medicine (chap. 11), such as homeopathic and naturopathic practices.

The two volumes of *The Adviser's Guide to Health Care*, 2nd edition, offer a wide-reaching, comprehensive exploration of the dynamic and ever-changing healthcare industry. In providing this resource for those professionals who provide valuation and other consulting services to healthcare practitioners, Bob Cimasi and Todd Zigrang have made an invaluable addition to the libraries of these professionals, as well as to the canon of professional literature.

*Russell T. Glazer is a partner with Gettry Marcus CPA, P.C., and is a member of the firm's Business Valuation & Litigation Services Group.*

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