

Images courtesy of Jenny Lynn, Steady Jenny Photography



DAVID ALPERN

BMC: Who or what drew you to ophthalmology?

DAVID ALPERN: We saw an opportunity to build a market-leading, clinically differentiated platform in a \$12 billion market where there was no player of any reasonable scale. Our math showed us that, in a category with 18,000 licensed ophthalmologists, the largest practice nationwide approximated \$50 million of physician fee schedule revenue, with only roughly 20 independent practices with greater than \$20 million physician fee schedule revenue.

BMC: Mainly during the past 3 years, there's been a large increase in the amount of private equity investment in eye care. What factors specific to eye care make it such an attractive target for private equity investors?

ALPERN: It's important to remember that where there is a successful outcome and where investors have demonstrated success, capital will follow. So that plays out in a lot of subspecialties within health care

services, given the virtues that consolidation can offer today's independent physician—specifically, the health care services investment economy. What happened is when you have some success, people will pick up their pencil and write, “Why was Varsity interested? Why are other people interested in eye care?” And when you get underneath the cover, there's some positive attributes for an investor.

There's a big market, a \$12 to \$13 billion plus market for ophthalmologic services. There's a fragmented provider base. There's 18,000 licensed ophthalmologists practicing, and nobody truly owns a significant share of that in terms of the competing practices and consolidators. The secular trends are positive.

Moreover, the reimbursement environment for eye care should be strong, and it's not really care that's viewed as discretionary. If you have a chronic eye abnormality, it's hard for you to be a productive member in the economy or your community. So this is a benefit that we expect the insurers to continue to support.

BMC: Do you believe that heavy private equity activity in ophthalmology and eye care will continue in the upcoming years, or will there be a cooling-off period?

ALPERN: That's a great question. For a cooling-off period, you'd have to argue for an event that would cool the investment community's appetite, and I don't see that event, other than what might be some poor execution of the recently developed ophthalmic consolidator platforms, which I have no reason to believe will happen.

People will stub their toe. You make 25 bets, it's hard to believe that all 25 will go well in a given industry. What people will come to realize is operating within eye care isn't risk-free.

Ophthalmologists, in my own personal view, are in some ways fiercely independent providers. You have to take a delicate hand to engage and incentivize that audience and be a good listener so as to identify the true business processes that challenge and enable clinical excellence at a local level.



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by**



After a 25-year hiatus, private equity companies returned to the eye care market, this time better equipped to manage the obstacles that might have been mismanaged in the past. One of the first recapitalizations of an ophthalmology practice occurred in May 2014, when Los Angeles-based Varsity Healthcare Partners, led by cofounder Mr. Alpern, acquired Baltimore-based Katzen Eye Group to form EyeCare Services Partners Holding. In June 2017, the so-called *second bite of the apple* occurred when Harvest Partners, a New York-based private equity firm, acquired Varsity's majority ownership in EyeCare Services Partners. The deal furthered the payoff for all parties and marked the first successful exit for a private equity firm in the industry. In this interview, Mr. Alpern talks about private equity's renewed interest in eye care and takes us through the thought process in making the Katzen deal, which seemed uncommon at the time.

INTERVIEWED BY STEPHEN DAILY, EXECUTIVE EDITOR, NEWS

BMC: I read that you began your career as an investment banking analyst. Can you talk about your experience of being an analyst and how you transitioned into private equity?

ALPERN: I started my career in the late '90s on Wall Street, working for Credit Suisse First Boston as it was known at that time. That was a really exciting time in the capital markets. The economy was on fire, fueled by the growth of technology. That just meant that I got to see lots of different types of businesses rise quickly, and in some cases, succeed and in others fail.

I worked in investment banking until 2001, and at that time it became difficult in the capital markets. Specifically, my old employer, which I loved working for, engaged in a significant merger with an investment banking firm. Given how turbulent it can be to put together two investment banking houses with two totally different cultures, I began thinking about where my skills—financial analytical skills, and some reasonable capital markets expertise—would become most relevant. I leaned toward private equity.

I went to work for GTCR, which is now a large private equity fund, and that's where I was first exposed to a meaningful amount of health care investing. Early in my career, I did a lot of provider-centric or exclusively provider consolidations. GTCR was adventurous and had been successful in health care services. In many ways, a lot of what I've tried to make part of my playbook was learned at that firm. Seeing 20 to 30 specific types of practices is the best discovery process for an investor.

BMC: Who would you say are your biggest influences, both professionally and personally?

ALPERN: Professionally I can't point to any one person, to be honest. In my early years of private equity, I worked for some talented people. At a time in the business when there wasn't as much capital floating around, deals were not as intermediated. I got to see folks at GTCR who were good at developing a thesis on a specific place within health care and actually walking the halls at trade shows, meeting with the associations, getting in front of lots of different practices or groups, and developing domain expertise in a space where there was no research report.

Personally, my father was a positive role model. He was a single parent, sole practitioner of a law firm, so in some ways he was an entrepreneur. Also, he was very honest, very diligent, had a strong work ethic, and high integrity.

BMC: Looking ahead, what is next for Varsity Health Partners?

ALPERN: Not dissimilar from our mission in ophthalmology, which was the early innings of consolidation in that category, we just made an investment in the orthopedic medicine space. We bought one of the largest practices in Florida, The Orthopedic Institute. This is in a space where there has been little private equity presence where, not dissimilar from eye care, we see really good secular trends.

BMC: If you had to nominate one creative mind in ophthalmology, whom would it be and why?

ALPERN: Ahmed Abdelsalam, MD, FACS, who was the owner of Chicagoland Retina Consultants, which today is part of EyeCare Services Partners. Ahmed, who serves as the chief medical officer, is as innovative as anybody I know and constantly reeducating himself about innovation in patient care. He has a pronounced entrepreneurial energy. He relocated from Egypt and built his life here in the United States from the ground up. Now, he's a meaningful shareholder and an important leader for EyeCare Services Partners.

I think the world of Ahmed, and to me he's a great example of somebody who's just as innovative clinically as he is entrepreneurially. ■

Editor's Note: This is an abridged version of Mr. Alpern's interview. To read the entire interview, log onto www.crstoday.com/issues/ and click on the April issue.

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