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Wall Street gives hospital medicine a warm welcome

A national hospitalist company stages the specialty's first IPO

by Phyllis Maguire

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IPC-THE HOSPITALIST COMPANY, which is known for its strong embrace of the private practice hospitalist model, is now also known by a new symbol: IPCM.

That's how the company is being listed on the NASDAQ exchange. Earlier this year, IPC, which is based in North Hollywood, Calif., became the first national hospitalist company to go public, raising nearly \$94 million before the fees and expenses related to the initial public offering were deducted.

According to chief executive officer Adam Singer, MD, that effort was the culmination of what has been the company's goal all along: to become a publicly traded company.

Dr. Singer talked to Today's Hospitalist about IPC's new business model.

Why did IPC decide to go public?

You go public for two classic reasons: to raise money and provide liquidity to your shareholders.

We had previously raised more than \$40 million in venture capital—with the last raising of capital in 2002—and we have been profitable since 2002.

When you raise venture capital, you're really setting the stage for going public, and we had planned to go public since our inception in 1997.

But there is a third reason: We wanted to be able to stand up and finally define for the public what is a hospitalist and to set the bar for how a hospitalist is going to be measured in the public domain.

What was the reaction from the investment community?

It reminded me very much of the early 1990s, when we had to educate other health care providers about hospital medicine. Within the financial community, there was just a complete blank in terms of knowing what hospital medicine was. Was it hospice? Or hospitality? They had no idea.

We found that lay investors, mutual fund managers, money managers,

"The response debunks the idea of high-dollar subsidization for hospital medicine."

**—Adam Singer, MD
IPC-The Hospitalist Company**



people in the Wall Street world are relatively young. So we are not talking to people who are big consumers of health care.



But after we explained it, there was complete and utter acceptance. If there was any trepidation, it was around the possibility of building a professional service business completely based on professionals joining you. You don't tend to see public companies of professionals like lawyers, for example.

What do you think going public means for the hospitalist industry?

I think that the support of a T. Rowe Price or a Fidelity, which are big time health care investors with world-class funds, is a huge validation.

I also think the response debunks the idea of high-dollar subsidization for hospital medicine. Here we are, a public and very profitable company that has very minimal hospital subsidy.

And I think we are raising the bar for everybody. Now people are going to start asking questions: Do you have technology? Is there infrastructure? Are you measuring your performance? Do you have systems in place to communicate what is happening in the hospital to my outpatient doctor? Groups are going to be required to have better tools and better measurement of their performance going forward, and I think we've helped set a new bar.

What changes are in store for IPC?

From the standpoint of day-to-day operations, nothing has changed. But we are now obviously much better capitalized to improve our recruiting systems, our outreach for recruits, to build better retention programs and to acquire like-minded groups.

What's next? Will IPC go on a buying spree?

I wouldn't depict it as a buying spree. In the last two years, IPC has acquired 16 practices, and we are very selective about the practices we acquire. We turn down a lot more than we buy.

If you look at our numbers, 70% of our growth comes from the practices that we've already established. We believe that more than 50% of the patients in each hospital should be on a hospitalist service, but if you look across the 300 facilities we are in, we are probably seeing only 10% to 15% of the patients in those facilities. So you can double or triple the size of your company by finding better quality doctors and going deeper within hospitals, without going to new markets.

Do you expect to see more consolidation?

Other than IPC right now, I don't see anybody else consolidating. But I predict that that will happen over the next five years. A group of six docs who are running a hospitalist group out of the trunk of their car will have trouble competing. They are just not going to have the capital to recruit or to build systems to collect data, and those are the groups that are probably going to want to join larger entities.

Phyllis Maguire is Executive Editor of Today's Hospitalist.