

Cogent, HMG deal closes

By **Andis Robeznieks**

Posted: May 9, 2011 - 2:30 pm ET

Cogent Healthcare and Hospitalists Management Group announced that the deal merging the two companies into a single operation with 1,000 physicians practicing at more than 100 healthcare facilities in 27 states has closed.

The company, now called Cogent-HMG, is headquartered in Cogent's office in the Nashville suburb of Brentwood, Tenn., and will continue to do business out of HMG's office in Canton, Ohio. No financial terms were disclosed in the deal, which was **cleared** by the Federal Trade Commission on May 2.

HMG's CEO, Dr. Stephen Houff, is the new company's CEO, and Cogent CEO Gene Fleming is the new company's executive chairman. Cogent co-founder and Chief Medical Officer Dr. Ronald Greeno, has appeared three times on *Modern Healthcare* and *Modern Physician's* 50 Most Powerful Physician Executives list, most recently at **No. 50** in 2009.

The two companies were almost equal in size, but whereas HMG traditionally focused on small- to medium-size hospitals in suburban and rural markets, Cogent partnered with academic medical centers and medium- to large-size hospitals.

Houff said Cogent-HMG's "risk-based contracting" business model—which calls upon the company to deliver "end points" of improvements in quality and patient outcomes while managing costs—aligns with goals highlighted in the accountable care organization model. Because of this, he said the company is positioned to do well under healthcare-payment reform.

"In the future, fee-for-service—except maybe in some rural markets—will not be the dominant fashion in which healthcare is reimbursed," Houff said.

Cogent-HMG will remain a private company, unlike its main rival in the hospitalist space, IPC the Hospitalist Co. of North Hollywood, Calif., which has some 1,700 affiliated physicians practicing in more than 300 acute-care and 400 post-acute-care facilities in 22 states, and **went public** in 2008.

Also, most of Cogent-HMG's growth has been "organic," resulting from increasing its customer base, while much of IPC's recent **growth** has been by acquisition. The new combined organization, however, now has the resources to acquire more practices.

"We anticipate that our growth will accelerate," Fleming said.

R. Jeffrey Taylor, IPC's president and chief operating officer, said his company has long anticipated that both Cogent and HMG would become more active in acquiring practices.

"We had been puzzled that they haven't been," he said. "So, it's not a surprise; it's more of a surprise that they waited this long."

Taylor complimented Cogent and HMG but said their merger won't have much impact on IPC operations.

"We have great respect for both management teams—they are good companies with smart people," Taylor said. "We think this deal makes a lot of sense for those two companies, but we don't see the competitive landscape changing for us in any significant way as a result of this transaction."