

# Long Island Business NEWS

## Robust M&A activity giving LI a healthy glow

By: Claude Solnik October 20, 2014



Bruce Newman / Photo by Bob Giglione

A healthy [mergers-and-acquisitions](#) market is reshaping Long Island's medical map.

Healthcare companies and other medical providers are merging at a rapid pace, seeking savings, scale and security. Most commonly, companies based off Long Island are snapping up Island-based healthcare enterprises, though in some cases Long Island hospital systems are acquiring private physician practices – and even adding new hospitals to their portfolios.

Kansas-based AxelaCare Health Solutions, owned by Manhattan private equity firm Harvest Partners, recently acquired Farmingdale-based intravenous-therapy provider Advanced Care (terms were not disclosed). Virginia-based Fortune 500 medical-supply distributor Owens & Minor closed Oct. 1 on the \$207-million acquisition of Brentwood-based Medical Action Industries, a maker of disposable surgical products. In July, Melville-based medical-supplies giant Henry Schein acquired 60 percent of Massachusetts-based SmartPak, a provider of equine supplements and other horse supplies (terms undisclosed), and this week the North Shore-LIJ Health System's directors were expected to vote on what could prove to be one of the system's all-time biggest expansions: the acquisitions of Phelps Memorial Hospital Center in Sleepy Hollow and Northern Westchester Hospital in Mt. Kisco (the vote was scheduled to occur after press deadline).

The potential North Shore-LIJ acquisitions would involve assuming the two hospitals' assets and debts, as the system did when it took over Manhattan's Lenox Hill Hospital in 2010. But deals involving more traditional exchanges – acquisitions in exchange for cash or stock, as with the Medical Action Industries and Advanced Care transactions listed above – have set the M&A tone.

“There’s a lot of cash available,” said [Bruce Newman](#), president of mergers and acquisitions for [Protegrity Advisors](#) in Ronkonkoma. “Interest rates are low.”

Protegrity, a business advisory firm and third-party manager of various professional services, has tracked 94 M&A deals on Long Island between 2009 to 2014, valued at a combined \$4.2 billion (the average deal, according to the firm, is valued at \$41 million). Of those deals, 19 involved healthcare companies – the third-highest total of any industrial sector, behind consumer goods (27) and information technology (21).

Bottom line: The healthcare sector is proving to be particularly fertile ground for [M&A activity on Long Island](#), where everything from an aging population to Obamacare – increasing the number of insured patients – is boosting healthcare demand.

A prime example is AxelaCare’s acquisition of Advanced Care.

“Advanced Care has a footprint in the New York market, which AxelaCare wanted,” said Newman, whose firm was a behind-the-scenes advisor on that transaction. “They’re buying [Advanced Care] because of the location.”

In a written statement, AxelaCare CEO Ted Kramm confirmed that Advanced Care’s “excellent market coverage in the New York metro area” was a major factor, while Harvest Partners Managing Director Jay Wilkins predicted Advanced Care’s business “should expand as a larger share of the population seeks access to vital home-infusion services.”

While out-of-state organizations continue to gauge the value of Long Island targets, other regional [healthcare M&A](#) activity has been purely homegrown. North Shore-LIJ, for instance, has grown its physician roster from 1,500 to 3,000 over the past five years primarily by acquiring private practices.

But the system also is forming joint ventures with organizations in this and other regions, including a partnership announced this month with California-based Access Clinical Partners, through which the two entities plan to open 50 urgent-care centers in metropolitan New York City over the next three years.

Earlier this year, North Shore-LIJ formed similar joint ventures with Cyberknife of Long Island and Rhode Island-based CVS Caremark, which is working with the health system to co-brand its “MinuteClinics” at pharmacies throughout Long Island, Manhattan, Queens and Staten Island.

“We’re identifying opportunities that reduce our capital expenditures and enable us to expand our presence,” noted North Shore-LIJ spokesman Terry Lynam.

While deals like these create larger Long Island organizations, others lead to Long Island departures. Owens & Minor, which boasts \$9 billion in annual revenues, is planning 51 layoffs by the end of the year as it integrates Medical Action Industries into its Virginia-based operations.

But most of the M&A activity, Newman noted, doesn’t lead to closures – in fact, it’s proving to be a boon for the Long Island economy.

“We have clients who want to expand their reach locally and local clients looking for add-ons,” Newman said. “They’ll go elsewhere to buy a company, but they’re not moving off Long Island. They want to expand here.”

