

Through Tenacity and Tact, Interim CFO Lays the Proper Foundation for a Physician Practice Platform to Succeed

Established critical accounting and finance processes and acclimated staff to the PE environment, creating greater visibility and engagement for everyone, especially the PE sponsor

Our Challenge

A PE investor acquired two physician clinics to establish a specialty practice platform with plans for acquisitive and de novo growth. Eleven months later with additional acquisitions completed and more in the pipeline, the platform's CFO was resigning, leaving the sponsor with very limited visibility into an investment generating \$40 million in top-line revenue. The client retained Focus Search Partners to find the CFO's permanent replacement. In the meantime, the platform was operating without a true budget or cash forecasting process and had a lingering 2021 audit to finalize. To resolve these critical issues and establish continuity for the future CFO, the platform's sponsor also engaged Focus Search Partners to find an interim CFO with an extensive accounting and finance background and experience in the professionalization of founder- and physician-led PE-backed healthcare services businesses.

Our Solution

Immediately, our interim CFO went into full old-school accountant mode as he does every time he is hired to help transition a founder-led business into the PE world. Within a few days of conducting critical balance sheet reconciliations, he discovered a significant cash crunch amid a backlog of large-dollar unpaid vendor invoices.

He quickly brought the situation to the sponsor's attention, identifying the primary root causes: Unrealistic staffing models based on the Quality of Earnings report and no pro forma process to guide decisions for new acquisitions. The lack of standardized A/F processes further exacerbated the problem and made it extremely difficult for anyone in operations or the sponsor to see it.

Our Outcome

By analyzing the organizational design, our consultant found misalignments in the existing staffing structure. Using his knowledge of healthcare metrics, he helped the sponsor distinguish and prioritize critically productive roles from unproductive ones. The elimination of \$400K in the latter category helped pay for those in the former.

In addition to dealing with the numbers, he also spent significant time with the platform's staff, mentoring them about their roles under PE ownership. Likewise, he created a cadence of communication between the A/F and operations functions to facilitate true partnership and visibility between the two. Prior to completing his engagement, he also delegated all routine tasks to A/F staff members to provide a clean slate for the future CFO.

- Established and implemented a sound budget process
- Built a reliable cash forecasting model
- Produced a 13-week cashflow projection
- Streamlined the close for efficiency and accuracy
- Created a new-practice pro forma process to facilitate cash-based decisions about the timing and amount of sign-on bonuses
- Elevated staff knowledge of the PE environment
- Helped finalize the 2021 audit
- Provided key insight on the skills needed in a permanent CFO

"Focus Search Partners' interim CFO had no problem digging into the accounting and finance function, which was still quite unsophisticated. In professionalizing it and coaching the entire staff, he obviously gave us the internal controls and partnerships we needed." – CEO

Key Relationships Forged

Working budget on which to project cashflow

Better relationship between the platform and sponsor

Educated staff that understands the PE environment