EPISODE 6.14 | MARCH 18, 2026

HEALTHCARE M&A IN 2026: WHAT PHYSICIANS NEED TO KNOW WITH MATTHEW PHILLIPS

David Mandell:

Hello folks. Dave Mandell, host of the podcast. Thanks for joining us. If you're seeing our faces on YouTube, which I know a couple of people do, but most of you are listening on the podcast platforms, thank you for doing so. Got a great guest, someone I've known for a little while, very interesting, and I think he's going to have some insights that will help you think about your practice and where it's going business-wise and options. So, let me tell you about Matt Phillips and then we'll get into it.

So, Matthew Phillips has over 25 years of legal and corporate finance advisory experience. He has successfully represented large public clients, as well as smaller, privately owned middle market clients in connections with mergers, acquisitions, divestitures, joint ventures, and capital market transactions. Earlier in his career, Matt was a corporate and financial lawyer at Bell, Boyd & Lloyd, and then at Unilever. He's now and has been since 2011, Managing Director at City Capital Advisors. And he's extremely well-educated, has his AB from Princeton, his JD from Northwestern School of Law, and his MBA from University of Chicago. So, like me, he is a JD MBA, so that's great. Matt, welcome.

Matthew Phillips:

Thanks. Thanks, David. It's a pleasure to be with you and chat with you this morning.

David Mandell:

Yeah, I'm really happy to have you on, and we have the same, similar path. Lawyer early on, moving more into financial advising and helping clients in that capacity. So just give us, I gave your... first of all, we will link to, he has got a very significant bio as you imagine, based on what I said. And we'll link to that in show notes so you can dig in more if you're interested. But give us a little bit about high level of what you've done with your career and what you're doing now at City Capital, what your role is today.

Matthew Phillips:

Sure, absolutely, happy to. So, grew up in New Jersey, moved to Chicago out for law school, and I practiced for almost 10 years. And during that time, I did a mix of corporate and transactional, and some trade litigation work, David, but I really wasn't fulfilled in that role. And I was always more interested in the financial advisory side and financial strategy. And so, I went back, I got my MBA, I transitioned, I switched in 2000, and since that time I've really been for the last 25 years, all doing with several different middle market M&A firms but all largely serving privately held, closely held, and physician-owned businesses over that time.

City Capital, so I've been here for 15 years. It's a unique animal in that we're a small firm, we have a very uniquely differentiated model, and a very highly collaborative and supportive one. A lot of investment banks candidly are tough places to work. And I always say the work itself is hard enough, I don't want my partners or the environment to make it more difficult.

David Mandell:

Right.

Matthew Phillips:

And-

David Mandell:

For those of you who can't see, Matt's not wearing a suit or tie, just to give you a sense of the visual. So, unlike some of our New York banker friends.

Matthew Phillips:

Absolutely. I gave that up a long time ago, David, so.

David Mandell:

Let me ask you two questions. Something you said that I think a lot of docs will ask or think or be wondering, but let's just... When you say small firm, how many partners do you have?

Matthew Phillips:

So, we-

David Mandell:

And number two, two questions. You can answer them both, they're both quick questions. And the second one, you say middle market, what does that mean?

Matthew Phillips:

Yeah, so I have roughly 12 partners. The firm has roughly 25 people total.

David Mandell:

Got it.

Matthew Phillips:

And as a second question, so middle market, a lot of people have very different definitions of what that means.

David Mandell:

Yeah, that's why I ask, because I'm not sure. I got an MBA, I was a lawyer, I can take a guess, but wouldn't, I'd probably be wrong. So, that's why I'm asking.

Matthew Phillips:

Yeah, so for us, middle market is probably anywhere from 20 million in enterprise value. David, up to 400 million is probably where we... we don't do that much above 400 million, but yeah. And I would say our sweet spot, if you will, where most clients fall are usually in that 50 to 150 enterprise range.

David Mandell:

And that would, just to work backwards so the docs are hearing, what revenue would that be for a medical practice, right? So, people here are driving or they're working on saying, "Does that mean my practice or are we too small?" Or whatever. So again, rough, you're not going to give me the multiple that applies to everybody, but just ballpark, what are the size practices that you guys are talking to?

Matthew Phillips:

Yeah, and it's really interesting, David, and I hate to give you this answer, but it really depends on the group, the nature of their practice, if they're specialty, what specialty, what kind of ancillaries that they provide within the practice. Because I've had groups with three physicians that are well in that range, all the way up to probably one of the larger groups that I've worked with, and I work with regularly is probably close to 60 physicians.

David Mandell:

Okay. So that gives, I mean, three if you're really killing it and have a lot of ancillaries and it's a really probably pyramid where they're using extenders and all that kind of stuff. And then 60, more probably traditional practice and everything in between.

Matthew Phillips:

Right, absolutely.

David Mandell:

All right, I just want people to get a sense of where that comes from. And so, when they come to you, these healthcare related clients, what are they

looking for? I mean, obviously some are going to come saying, "Hey, we want to find a buyer or a buyer has come to us," but are there other things that you're helping them with?

Matthew Phillips:

Sure, so I think the answer is, yes. So most often, groups come to us because they are looking to sell their group or practice. And that may be for a whole host of reasons, but oftentimes, as you know, David, there's the tension. You have senior retiring physicians that have been in the practice for a long time, their ownership is now very valuable, and oftentimes the only way to provide them that liquidity is through a transaction of some kind. So, that's very common. But we also help them with growth capital raising, where the money is needed in the practice, whether that's for equipment, technology, expansion, but it's staying within the group and not going out to any of the specific shareholders. And then the third piece that we do, David, is really around practice acquisitions or complementary acquisitions that groups want to do. So, we will help our clients find those groups, negotiate those transactions, and help finance them.

David Mandell:

So, practice wants to grow, they have no desire to sell, they could come to you to help with that. Or, hey listen, I think it really makes for my practice to join up with Dr. Smith's. We've been talking about it, we're not really sure how to do it, but we think there's a good opportunity because we could own this area and maybe do some things rather than compete. The pie would be bigger if we come together. You can help us figure out how to do that and get it done?

Matthew Phillips:

Yeah, absolutely. And a big part of what I've learned over the years, David, is that there's a lot of consulting, strategic consulting, and I feel like education, because a lot of what we're talking about is foreign to a lot of physicians. And so, helping them understand the process and what's involved and what it means. I feel like I spend a lot of time, so it's not just working on the given transaction, it's a lot of interaction with the providers themselves.

David Mandell:

Got it. And how would you describe today, we're doing this in February 2026, what's the marketplace like, in terms of the environment for practices either looking to grow and get capital that way or merge that we just talked about, or sell? How would you describe it and compare it to the last five years?

Matthew Phillips:

Yeah, I would call it, David, it's an unusual and bifurcated market of sorts. It's by no means a capital starved market, so there is a lot of capital out there. As you know, especially focused on healthcare and healthcare services.

I would really say it's a highly selective risk averse and underwriting heavy market. The buyers, investors are still very active, but they need businesses to check a very specific set of boxes today, and that's very different. All those boxes weren't on that checklist a couple of years ago, five years ago, 10 years ago. What I see is that financial investors, buyers are prioritizing certainty, compliance, and operational control, really over a hockey stick, phenomenal growth story. Right? The well-prepared groups command strong interest. And the messier ones, they face more challenges, hard to keep the financial investor interest. So, that's really what we're seeing.

David Mandell:

It's interesting. It's interesting because on this podcast, we had another small investment bank, smaller than yours, but it's been like five years and I think at that point it was like gangbusters, right? They were, especially in certain practice areas, derm or ophthalmology, it was like, I think, and we'll talk about this in a second, maybe some of those deals haven't gone so well. And so, the investors are saying, "Hey, like you're saying, we don't need as much upside, but we certainly want to protect our downside more." So, you got to have more stable, well-run practices, which probably gets into what you've been doing, which is helping practices get there.

So, a lot of practices have been bought by private equity. Early on, season three, I think it was season three, those of you listening, watching go back, but we had a practice, an orthopedic surgeon and their CEO on two years post transaction. And they were talking about; this is through COVID that their capital partner was really on the same page with them. And they went through some real hard bumps with COVID and came out the other side and were happy. And I've had a bunch of people on, docs who've sold their practice and it's too early to tell, but they were talking about the LOI process and when they went down this road and then changed and etc.

So, you guys obviously have done deals but you're not the capital investor. So, where have you seen that range? I'm sure there's some success, there's some sort of eh, and there's some where that that really hasn't worked out for anybody and the docs aren't happy. So, give me a sense of maybe what that ratio is or some takeaway, if you can get to that.

Matthew Phillips:

Right, absolutely, and it's a great question, David. So, look, and the other thing, maybe just let me clarify for your listeners that I don't do work for the healthcare private equity financial investors are not clients, we don't do work for them. We know them very well and I have very strong relationships with them because they are always interested in potentially buying or investing in our clients. So, it's really important that I maintain those relationships and know what they do, but we're not working for them, by any stretch.

David Mandell:

Got it, okay. So, you're on one side, and that would be called your sell side? Is that-

Matthew Phillips:

Yes.

David Mandell:

How would you describe it?

Matthew Phillips:

Really, totally on the physician side, on the provider side.

David Mandell:

Okay. Important to make that clear.

Matthew Phillips:

And so, what I would say because I'm a little bit of a nerd and a geek and I follow a lot of this, what we're talking about very closely.

David Mandell:

Yeah, that's your world.

Matthew Phillips:

Yeah. The reputation is really, the private equity reputation in healthcare is worse than the reality.

David Mandell:

I see.

Matthew Phillips:

But I will say, it's not completely undeserved. That's what I would say, is the bad actors are out there. Right? They absolutely are, and there's some-

David Mandell:

When you say bad actors, this is what I would consider the stereotype, which is, get the deal done and then it's all about the bottom line and infringing upon the doctor's ability to perform, practice medicine they may want-

Matthew Phillips:

And cutting their resources, taking away their resources.

David Mandell:

And the patients suffer and the whole thing, right?

Matthew Phillips:

Right.

David Mandell:

That's the-

Matthew Phillips:

And pushing them to sell more services, products, whatever they can, and taking away their independence to practice medicine.

David Mandell:

Got it, got it.

Matthew Phillips:

So, look, and healthcare is really emotionally charged. It's personal to all of us, right?

David Mandell:

Of course.

Matthew Phillips:

So, it's easy to hear these stories and get consumed by it.

David Mandell:

Yes, yeah, yeah, yeah.

Matthew Phillips:

And look, private equity is a really easy bad guy villain target.

David Mandell:

Sure.

Matthew Phillips:

Right? So, but I would say that I think what a lot of people don't understand is that there are a lot of really good financial investors in healthcare that genuinely have the right values and objectives that align with those of the physicians. Where they want to improve the quality of the service, they want to improve operational rigor and discipline, compliance. And they know the importance of, it's not just all about the bottom line, right? It's about building a sustainable model that works, that reduces risk, but provides more of a long-term investment model, a long-term business model.

David Mandell:

Yeah. That makes sense to me. We did have one private equity investor on in one of the seasons, and again, go back and listen to that one, and they were saying the same things. And I think one of the key, and you'll probably say this too, but one of the key success factors is if you are going to go sell or to be approached, is to do your due diligence and understand if this is the right capital partner that aligns with what you are doing, talk to practices that have already done a deal with them. Talk doc to doc with nobody around over a glass of wine, say, "Would you do this again and have you compromised?" And all that kind of stuff.

So, related to that, what are common mistakes? And I assume one mistake and we can set that aside, is not doing that kind of thing. But what are some other things that practice owners, physicians should know about or think about or avoid when pursuing something like this?

Matthew Phillips:

Yeah, no, absolutely. And if I could, let me just go back to your previous question and echo and build upon something which you just said.

David Mandell:

Sure.

Matthew Phillips:

Which is, in my experience what most of the physicians that I work with, they aren't so much, it's not about, oh, private equity is bad and that's their fear. It's, they're concerned about losing control and they're concerned about a misalignment of interest.

So, for me, what I stress that capital is a commodity and what really matters is the cultural fit, the alignment of values, and the additional relationships and resources that a financial partner can bring. And so, I stress that to my clients that you have to be the one, you're choosing them, it's not them choosing you. And in order to do that wisely, you have to do your due diligence. You have to spend time with them socializing, breaking bread, having heart-to-heart conversations, getting time to know them. But to your point, also talking to other groups that have partnered with them in the past and find out, what was their experience like? What was good, what was bad, what'd you like, what didn't you like? As well as other friends, colleagues that have gone down the path with a private equity partnership.

David Mandell:

Yeah. That "reverse due diligence." So let me ask you, and I am going to guess your answer, but does that mean that... And I'm not going to use the word always, because if I say always, you're going to say no because nothing's always, always. But does that mean generally you like to try to get clients to have a couple of options? Meaning, it's a lot easier to have that attitude of you choose them when you've got more than one, at least an offer or letter of intent or whatever, whatever that process is. But at least you start with talking to a couple, because if you're only locked in one and you go down that road for a bit, it is more like a yes or no, not a choice. So, is that part of something that you really would say is a success factor, that if you're going to go down this road, that you be talking to a number of different options?

Matthew Phillips:

Yeah, absolutely, David. So, and that's also where an investment banker, especially one who's smart and knows healthcare and knows the investor

universe, can be so important, because the biggest place we add value is in making sure there's competition and keeping the leverage in the physician's hands. And so, we do a lot of our own kind of screening and qualifying upfront before the physicians ever meet them. But yeah, we would always prefer to have anywhere between five and 10, maybe more highly interested groups, because you never know which. You're going to have disparate views among your partners, right? I like this group, I didn't like this person, and this puts us in the best position.

David Mandell:

It makes total sense to me. Yeah, that's a significant number, so.

Matthew Phillips:

Yeah. And the other thing I would say, David, is because I've seen a lot of clients who've gone down this path, unfortunately. A lot of your listeners get inbound phone calls all the time, right? I would love to invest in your practice, love to buy your practice. Right? It's oftentimes easy because the managers or managing partners are like, "This is great, everybody's coming to us, we don't need somebody to help us." Right?

David Mandell:

Right.

Matthew Phillips:

And so, they'll go down that path and spend an inordinate amount of time responding to diligence requests, with questions, all the while taking time away from running their practice. Right? So, the practice suffers, and then it turns out that the fit is terrible or their valuation expectations are wildly off.

David Mandell:

I mean, this is a once in a lifetime transaction, take it seriously.

Matthew Phillips:

Yeah, absolutely, absolutely.

David Mandell:

Don't just go whoever who happens to call the phone. I mean, what, would you do anything else that way? Would you start your career, "Hey, we think you would be good at this in college." "Oh yeah, really? I think I'll go do that for the rest of my life."

Matthew Phillips:

Right, right.

David Mandell:

All right, well, we've only got a couple minutes left and I want to hit these last three questions I wrote down. Okay?

Matthew Phillips:

Yeah.

David Mandell:

I want to hear about ExitMinded, etc. So one is, and this may be the most important question for many people listening and watching this of our whole conversation, especially coming from you and your experience. Which is, for practices that want to remain independent and not do this, all right, what can or should they be doing? And I'll just say one thing that relates to this. I had a surgeon client of mine who said, "My best referrals, the people who like me the best are the ones I don't do surgery on." Meaning that you're going to help people if they want to do this, but if they don't, you know what it takes to be a detractive practice. And if you want to keep doing that till the last day and hand it on to your younger partners, what have you, whatever that transition is, you can do that. So, what are things that practices that want to remain independent should be doing?

Matthew Phillips:

Yeah, no, and that's a great question and I've spent a lot of time thinking about this.

So, I would say, and this is in no particular rank order, but professionalize. A lot of practices are self-managed, right? The doctors will, hey, we'll rotate, maybe we'll have a rotating president and or we'll have an executive committee of a handful of docs. In my experience, that's always a mistake, right? You want to professionalize your management as early as you can, right? The, you need to be able to practice at the top of your license and create the most value you can with your time. And so, bringing in non-physician professionals is a really critical piece that unfortunately I think a lot of groups are slow to adopt.

One of the things that I see a lot, David, is also surprisingly, a lot of physicians don't necessarily understand the difference between fair market compensation for their services, for their physician services, and a return on their equity. Right? So, they're saying, "This is great, I'm cashing, I'm taking out a million bucks a year, this is great." But oftentimes what they don't realize is, half of that may be the true fair market value for their services. The other half may be return on their investment that is not getting reinvested in the company, in the practice. And it's surprising to me how often I see that misunderstanding or misappreciation that they're taking their decision to take that cash is a decision not to invest in resources that you, that the practice will need to grow.

David Mandell:

Right, and we dealt with that at OJM Group for years, which was how much income to take as the founding partners, Jason and I, versus pour back into the business to have a CFO, to have a manager, to have more staff, to have better technology, etc. And it was a conscious decision and there were years and years and years where we could have paid ourselves more and we didn't. But that was building value in the business that eventually benefited us.

So, I want to come down to our last question actually, because we're running out of time here, which is I want to hear about ExitMinded. This is something that you're part of, it's a new venture. Tell us what it is and how it complements what you're doing at City Capital.

Matthew Phillips:

Yeah. So, over the years, I worked on it with a lot of businesses and business owners who wanted to sell, wanted to raise capital or get liquidity, and they thought they were ready. And it turned out, I signed an investment banking engagement with them thinking that, assuming they were going to be ready, we only get to do our look under the hood and do our real due diligence until after that engagement is signed. And then we realize that, oh, there are a whole bunch of... You're not at all ready. And you're going to need 12 to 48 months to fix all the things that we need to fix, whether those are people, management, information systems, an employment issues, everything. We really look at everything. And as an investment banker working with middle market businesses, and as you appreciate, David, as a recovering lawyer, I have literally seen every possible cause that will blow up a transaction. And so, the reality is that most investment bankers, that's not the work they do, right? They're highly incentivized.

David Mandell:

No, they're incentivized to get a deal done. I mean, [inaudible 003010].

Matthew Phillips:

They're incentivized to get a deal done, so they only want... If it looks like you're not sale ready, they're not going to talk to you, right? And unless you're in a sector that's attractive, unless they can really feel like this transaction has a high probability of getting done in the next three to nine months, they're not going to spend any time with those business owners. And to me-

David Mandell:

So, ExitMinded... So, let me just jump in here because, for just time. So, ExitMinded sounds like it is your solution for that. It is, hey, it's a great title or name, ExitMinded. This is something 18 months to five years out, we're thinking this might be where we need to go and we need help to... First, we need someone to take a look at maybe where we do need help, right? Get under the hood and say, "Hey, we need some help here and help there." And then get

us to the point where there are no more warts, there's no more hidden cobwebs, etc., etc., we are good to go.

Sounds like, if that's right, and you and I've talked a little bit enough so I know that it is, this would be very, I think you guys are going to do well with this. And I'm curious to talk more about this in another conversation, because identifying what kind of practices are good candidates for that. And I mean, to me, you could use the analogy of getting the home ready before you sell it. It could be the minor leagues before the major leagues, working on your second and third pitch as a pitcher, whatever the analogy is. But it's getting yourself ready for prime time so when you're there, no hiccups, no surprises, etc., right? You're ready to go?

Matthew Phillips:

Right, absolutely. And so, that's what excites me about it, David, is that ExitMinded basically operates upstream of any transaction. Right? And it's really, what we provide is a buyer's lens, risk-based assessment, that surfaces structural, operational, regulatory, people issues, that will erode value or limit their options. Right? With the goal of, hey, we want to identify them, prioritize them, give you recommendations for how to address them. That preserves value and optionality for physicians. And what I love about it is that it's very complimentary with, we don't... Folks, ExitMinded clients can work with whoever investment bank or bankers they want to work with. There's no obligation to work with me.

David Mandell:

It's a separate service, etc.

Matthew Phillips:

It's a separate service but what I love is that, and it's not just unusual legal, tax, accounting issues, it's a lot of best practices that we see. And a lot of that is, as I'm sure you hear from your listeners, it's improving your revenue cycle management, right? It's leveraging APPs, right? It's diversifying away from

insurance, which a lot of practices don't realize they can do direct contracting. So, to me, that's really the exciting part of it, David.

David Mandell:

Listen, it makes total sense. I haven't heard other people doing it, so kudos to you guys. And three is that, listen, if a practice goes through all this, they're going to be a better practice whether they end up doing a transaction or not. I'm sure their profitability is going to be higher, their headache factor is going to be lower, their sleep at night. Hey, did we miss something compliance wise? It's going to go away, so it's almost like, why not do this? It's not committing yourself to a transaction, but it's committing yourself to run your practice better. And it makes a lot of sense.

Matthew Phillips:

Right, right. That's the beauty, is that it's a great option for groups that want to remain independent.

David Mandell:

Right, it gets back to what we we're talking about before. So, Matt, thank you so much for being on. There's obviously more to talk about and we'll probably have another episode coming up just about ExitMinded and you'll tell some stories about successes there. But thank you so much for being on, really appreciate it.

Matthew Phillips:

No, thank you for having me, David. It's been a real pleasure, and I look forward to revisiting this and following up on it.

David Mandell:

Awesome. And for everybody watching and listening, thank you again for being on. Every two weeks, we'll have another episode. If you're so inclined, please give us a five-star rating on the systems, on the platforms, leave a nice comment. And you'll hear from me in another two weeks, thank you.