

## New on the Scene



### Getting Into Healthcare...

## Marquette Financial Enters a Whole New Ballgame

*As the healthcare industry continues to grow, bringing with it constant technological and regulatory changes, it has become tricky to succeed as a lender in that space. Marquette Financial intends to buck the trend, bringing ABL products to healthcare borrowers.*

**H**ealthcare is big business: it now accounts for 16% of the U.S. economy. According to Bureau of Labor statistics, healthcare was the country's largest industry in 2004, providing some 13.5 million jobs through 545,000 healthcare establishments.

As the 76 million Baby Boomers age, the healthcare industry is expected to continue to grow. Since the industry is so large, it's easy to assume that the lending opportunities within the healthcare industry are significant.

But the industry is not for the faint of heart. Continually impacted by technological advances, information technology and cost containment, healthcare is a difficult and complex sector. Much of the payment for services is made by government agencies, like Medicare, or through insurance companies, with payment amounts differing by both payer and provider. These payments are subject to changes in regulation, discounting and external terms that can be a challenge for a lender. Many lenders have gotten into healthcare only to abandon it a year later.

But lenders who make a commitment to the industry and possess a depth of experience in the field have done well. Enter Marquette Financial Companies, a \$2.8 billion financial services company owned by the Carl R. Pohlad family of Minneapolis.



**MARTIN D. GOLDEN**  
EVP & Managing Director,  
Marquette Healthcare Finance

#### Marquette Makes its Move

According to Margaret Murphy, Marquette Financial's chief credit officer, the company had been eyeing the healthcare arena for some time. "Our starting point was that healthcare is such a large part of our economy, but we weren't lending into [healthcare] in any material way through any of our businesses," Murphy says.

"Banks historically had been in and out of healthcare lending. We decided the smart way for us to get into healthcare was to use asset-based lending, where we have significant disciplines and monitoring processes to manage risk," she continues.

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Marquette Financial explored a number of options before entering the healthcare market, including adding an experienced industry executive to lead the business, and to potentially make acquisitions.

Last June, Marquette Financial hired Martin D. Golden, a veteran healthcare lender with 15 years experience, to head up its de novo effort, Marquette Healthcare Finance. Previously, Golden served in leadership positions with Wells Fargo Foothill and GE Healthcare Financial Services. Golden is responsible for the start-up, development and management of Marquette's nationwide healthcare lending business.

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"What we liked about Marty was his breadth of experience and his fit with our culture," Murphy says. "We are committed to the long-term success of Marquette Healthcare Finance, and confident that Marty will help us build our business in this critical segment."

According to Jim Casper, president of Marquette Business Credit, Marquette Financial's largest asset-based lender, "Healthcare lending is a whole different ballgame from a receivable standpoint. You definitely need the specialized expertise from someone like Marty who has spent his entire career in healthcare."

### Marquette Healthcare in the 'Golden' Age

According to Golden, the healthcare industry has changed significantly over the years in the form of integration and consolidation, reimbursement changes and declines, regulatory oversight and competition. But he says this dizzying pace of change is good news, if you stay abreast of it.

"Change begets deals," he explains. "There's so much going on in healthcare — and it's not just because the industry is so large; it's also due to constant changes. One segment of the industry may be consolidating one year, and breaking apart the next. New ways of serving patients are constantly being developed. Companies are constantly having to adjust to new ways of doing business, including new reimbursement levels, and need financing to help them adjust their business model," Golden says.

This makes healthcare virtually recession-proof. "There are always companies that are winning in the healthcare game, and those that are losing. It is our job at Marquette Healthcare Finance to determine which is which," he says.

Marquette Healthcare will provide asset-based financing to healthcare organizations nationwide in the lower middle-market segment, one that Marquette Financial already addresses through its asset-based lending companies, such as Dallas-based Marquette Business Credit. Marquette Healthcare will serve a wide array of healthcare clients, with financing needs from \$1 million to \$20 million. It also will provide revolving lines of credit, secured term loans and real estate financing.

Golden's plans include reaching \$350 million in assets on the books in the next five years. He notes that Marquette Business Credit is a good example of how quickly Marquette Financial has entered and mastered the ABL space, growing from a de novo startup to one of the largest independently owned asset-based lenders in the U.S., with commitments in excess of \$650 million in just three short years.

"Marquette impressed me with its demonstrated history of supporting new businesses and a strong focus on client service. I knew once they committed to the industry they would be in it for the long haul," Golden says.

The migration of many lenders toward larger clients has left the smaller middle-market segment underserved and has created a tremendous growth opportunity. Approximately 76% of the 545,000 healthcare establishments operating today in the U.S. are offices of physicians, dentists or other health practitioners; the remaining 24% includes hospitals, nursing and residential care facilities, home healthcare services, outpatient care

centers, other ambulatory healthcare services, as well as medical and diagnostic laboratories.

"We can be a long-term resource to all of these companies, because we're willing and able to be creative on deal sizes where others are going to say they don't have the time — and that's our competitive advantage," Golden says. "We intend to put our creativity and the financial firepower of Marquette Financial to work — and fast."

### Building a Dedicated, Experienced Team

Golden already has hired the first two members of his team, both with healthcare lending expertise. "I have always believed that it's important to have healthcare specialists involved in healthcare lending," he says. "I like to say it's not inherently more risky than other areas. But my honest answer is also this: it's a lot riskier if you don't know what you're doing. You can't have a generalist who lends to multiple industries and hand them healthcare and expect them to know what they're doing. The challenges are numerous and more complex."

Jennifer Sheasgreen, a fellow of the Healthcare Financial Management Association (HFHMA), joined Marquette Healthcare in September as senior vice president, underwriting, and Jason Hill came on board as vice president, marketing officer.

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— Martin D. Golden, EVP, Marquette Healthcare Finance

Sheasgreen oversees new deal underwriting and portfolio management, and Hill leads origination of new business from the firm's new southern California marketing office in Los Angeles.

Sheasgreen brings 15 years of commercial lending, operations and accounting experience to her new position. Prior to joining Marquette Healthcare, she served as senior vice president of operations for Aequitas and CarePayment at Aequitas Capital Management in Lake Oswego, OR, where she managed operations for the company. Previously, she spent 11 years with GMAC-RFC Health Capital in positions of increasing responsibility, most recently as executive vice president of operations.

Hill brings five years of credit analysis, business development and market research experience in the healthcare industry to his marketing role with Marquette Healthcare. Most recently, he served as business development officer with Healthcare Finance Group, Inc. in Los Angeles, where he was responsible for establishing new markets in Arizona, Nevada and Colorado.

Golden is actively expanding the team and will continue to do so over the next five years.

### Healthcare Under the Microscope

Golden says that there's no question that our country has an enormous problem with how fast healthcare is growing. It's already a hot topic looking ahead to the 2008 elections.

## PROFILE: MARQUETTE HEALTHCARE FINANCE

### Headquarters:

One World Trade Center  
121 SW Salmon Street  
Portland, OR 97204  
503-221-5030

www.marquette.com

### Key Management:

Marty Golden, *EVP & Managing Director*  
Jennifer Sheasgreen, *HFHMA, SVP/  
Underwriting*

### Target Markets:

Wide array of healthcare clients, including hospitals, home healthcare agencies, long-term care facilities and other service providers with financing needs from \$1 million to \$20 million

### Products Offered:

Revolving lines of credit, secured term loans, real estate term loans

**Geographic Scope:** Nationwide

"Because healthcare is taking an increasing portion of the budget each year, there are always people looking for ways to handle healthcare more efficiently. Incentives are being created.

"I like to say that there are always people 'messaging around' with the delivery of healthcare," he adds. "They are changing reimbursement rates to make it more or less profitable for people to do things a certain way." He cites two recent examples. "The start of Medicare Part D reimbursement in 2006 had a major impact on the pharmacy industry, especially the 'mom and pops.' And governmental action in the mid 1990s led to a decline in the viability of home healthcare businesses, yet by the early 2000s it rebounded as a cost-effective alternative to costly hospital and nursing home stays," he says.

The biggest challenge is staying up-to-date on reimbursement and changes in collateral so you're not over-advanced, he says. Making sure that collateral is valued appropriately is also an ongoing challenge. "In healthcare you are not always going to get reimbursed what the stated price is, so you need to understand what the contractual allowances are, as well as the list price," he says.

Marquette Financial Companies, Marquette Healthcare Finance, Golden and his team are well on their way. "We know healthcare, and we want people to understand that we're in this business for the long-term," says Golden. "We are here to stay." **abfj**