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S. Florida entrepreneur starts care-related investment fund

■ **Mike Fernandez, one of Florida's most successful healthcare entrepreneurs, announced the start of an investment fund, MBF Healthcare.**

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Mike Fernandez, who sold CarePlus to Humana earlier this year, announced Monday the development of an ambitious new \$200 million investment fund to buy majority interests in healthcare businesses throughout the United States.

The company, MBF Healthcare Partners LLC, will be headquartered in Coral Gables with a branch office in New York.

Fernandez, who with his family earned more than \$300 million from the sale of his Medicare health maintenance organization, said he would leverage the fund's money with borrowing so that MBF would have about \$1 billion to build a new generation of high-growth healthcare businesses.

"We've put together a great management team," Fernandez said.

On his advisory board is Roger Medel, chief executive of Pediatrix Medical Group in Sunrise. He has become "a substantial investor" in the fund, said Fernandez, who is on Pediatrix's board of directors.

Oliver Moses, an 11-year veteran of Merrill Lynch's healthcare investment banking practice, will head the New York office.

Working with Fernandez in Coral Gables are two veteran healthcare executives, Marcio Cabrera and Jorge Rico, whom Fernandez said he's known for 15 years, since he worked with them at Ramsey HMO.

The team has already examined 62 companies and submitted offers on 15 to 20 of them.

Fernandez said the boards of two firms, both outside Florida, have accepted MBF's offers. One offers hospital-based services, the other home healthcare.

The deals haven't been finalized and Fernandez refused to give any specifics. Hospital-based care has become a lucrative, competitive arena, with many companies, including Sterling Healthcare locally, getting into it. Much of the home health field, by contrast, has been struggling, because of low reimbursement levels from Medicare.

Fernandez said about \$25 million of the fund's money would be invested in the two firms, with about \$50 million borrowed to complete the transactions.

MBF's plan is to find companies that have been around for a few years and are consistently profitable, with "a stable, strong management team" and annual earnings of at least \$5 million.

MBF seeks to purchase majority shares while leaving the management team in place. Fernandez plans to join the boards of directors, perhaps serving as chairman.

Fernandez said the fund will focus on healthcare services and avoid the hot, much-touted field of electronic records, in which many tech and software companies are competing to convert the industry's massive paper output to digital.



FERNANDEZ

"The moment you bet on a particular technology or program, it's just a matter of time before it becomes outdated," said Fernandez.

Fernandez said he and his children have \$175 million invested in MBF, with \$25 million coming from others. He originally raised another \$67 million, but decided to limit the fund's reach to start. "Maybe a year down the road, we will raise another \$500 million."

Two other Fernandez-owned start-up firms are not included in this fund. One, Hospitalists of America, has contracts with health insurers to provide the services of medical doctors who specialize in treating patients inside hospitals.

The company feels it's in a good situation because many primary care doctors feel they don't have the time or get enough money to see their patients in hospitals, and managed care plans are concerned with making sure their members discharged quickly after getting good treatment to ensure that they won't need to rush back to the hospital.

Hospitalists of America now has physicians working in the three-county South Florida area and plans to become a nationwide business, said Fernandez, the same way Pediatrix has established a national reach providing hospital-based neonatal services.

Another Fernandez business, Atlantic Dental, has annual revenue of \$45 million a year. "It's profitable, never had a year of losses, but it's going through some changes," including a recent change in chief executives.

Its problem, said Fernandez, is that two-thirds of its patients are in Medicaid and Healthy Kids, two low-paying state government programs. "We're not looking to use it as a platform for a national company."



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