

Health MVP: Sheppard Mullin's Eric Klein

By **Aebra Coe**

Law360, New York (November 19, 2015, 1:05 PM ET) -- Sheppard Mullin Richter & Hampton LLP's Eric Klein has orchestrated some of the biggest matchups in the health care industry in the past year, guiding three joint ventures that each exceeded \$1 billion, earning him a spot on Law360's 2015 list of health MVPs.

Klein, based in Sheppard Mullin's Century City, California, office, has managed to grow the firm's national health care team by more than 80 percent to more than 100 lawyers since his arrival in 2008 from Katten Muchin Rosenman LLP and has led 48 hospital acquisitions and joint venture projects in the past decade.

"Basically, health care is an interesting combination of large revenue flows, high regulation, the Wild West of new technology and the desire and need for evolution and change. It's an interesting mix," said Klein of the work he does. "How often do we have a chance to redesign an entire industry? That's just an exciting opportunity."

Klein's work in the past year includes, but is not limited to, representing private equity fund Westridge Capital in the September 2015 sale of a 145-bed hospital and medical office building to Cedars-Sinai Health System, guiding Arkansas Children's Hospital in its transformation from a single children's hospital into a statewide pediatric care network and representing Southern California-based Heritage Development Organization in forming a multibillion-dollar joint venture with Trinity Health, the nation's second largest nonprofit hospital system, to transition Trinity's hospitals from traditional fee-for-service reimbursement to global risk and coordinated care.

According to Klein, the transaction between Trinity and Heritage was an exceptionally exciting project for him. The deal combined two of the largest nonprofit health systems and coordinated care organizations in the country, bringing to the health system a new approach to patient care.

Klein said that the traditional way that medicine is reimbursed is that hospitals are paid when patients get sick — the heads in beds approach — but under the new approach of population health management, which Heritage ushered in with the Trinity tie-up, the idea is to keep patients out of the hospital and improve and maintain the health of the population.

"This was an incredibly complex and transformative project. You have two large organizations, spread across various states. There's a big leap of faith here for a hospital system," Klein said.



Eric Klein
Sheppard Mullin

After months of negotiations, he said there was an “aha moment” when the parties realized that under the new approach to reimbursement and patient care, hospitals can thrive.

“You have to look at the benefits from everything in the hospital system — outpatient services, hospital services, health plan revenue — when you look at it holistically, you realize you can do very well financially while also doing good for the population, but it takes a total transformation of your mind-set,” he said.

Klein said that rooting out the win-win solution in any deal is one of the core philosophies he brings to his work.

Another tenet that the attorney said allows him to succeed at effectively crafting acquisitions and joint ventures such as the Trinity deal is that he makes a point to structure transactions for change that will come in the future. He calls it a Wayne Gretsky moment.

“Don’t structure a change for today. Don’t go to where the puck is. Go to where the puck is going to be. Set up structures that will be flexible and changeable. There will be further change no matter what,” Klein said.

He said that the current changes in the industry are many, but include a large amount of consolidation and convergence, from megamergers in the insurance sector to acquisitions in which insurance companies buy doctor groups, becoming both provider and payor.

He said that means many smaller health care law firms are getting larger or acquired and larger law firms are deciding that health care is a sexy, interesting practice area to build.

“Putting those deals together right so they work for years to come takes creativity; it’s not your grandfather’s health care law,” Klein said. “As health care continues to grow and become more sophisticated, it will require a deeper bench for law representation.”

--Editing by Stephen Berg.

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