

THE IN'S & OUT'S OF JOINING A PRIVATE PRACTICE AND BUYING IN: Practice Management From A Private Practice Perspective

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MY BACKGROUND

- Comprehensive Ophthalmologist specializing in Cataract & Refractive Surgery
- VA staff physician, educator
- Dept Head Ophthalmology
- private practice -solo practitioner. group shares ASC.
- 9 physician private group practice, multi speciality - ASC owned at NW Eye Specialists DBA Fishkind Bakewell Maltzman Hunter & Associates Eye Care and Surgery Center

FEW KEY POINTS

- Ask yourself/significant other/friend, cat/dog if you're happy, if you're not change direction
- You should enjoy being in your profession and going to work in it everyday
- you've worked way too hard and put way too much emotional energy into this job- because you care — to not enjoy where you are.
- Dr Fishkind told me it's amazing what we do - it's magical.
- we give a lot in this profession and some days you'll come home and not have enough to give to your family kids or spouse. so take the time to take care of yourself
- When Dr. F got sick, it was then that he realized how hard it is to do what we do every day.
- Give yourself a chance to recharge so you can come back to work ready to give back
- Listen to others around you — if it wasn't for my wife I never would've realized that I need to change.

OUTLINE

- Set personal priorities and expectations
- Timeline for recruitment
- Choosing ideal practice environment
- What is a buy-in
- What to consider before buying in
- How to negotiate a buy in
- What if it doesn't work out

SETTING THE STAGE

- At this stage in career, you've finally picked your speciality and are ready to start practicing. But how do you pick the perfect practice?
- Ask yourself:
 - What are your expectations for ideal practice? comprehensive? medical only? high volume cataract? refractive? vitreoretinal? oculoplastics?
 - Do you want the best offer wherever you can find it?
 - Are you “locked’ into a specific geographic location?
 - What are your priorities? Goals?

KNOW YOUR GOALS

- Solo practitioner
- Partnership track
- Physician employee
- ex: As a cataract refractive surgeon, I needed to stay in Tucson because my wife was a year or two from completing her PhD at the UofA and we wanted to start a family. I knew I wanted to operate with a relatively high volume, teach residents, participate in research and have a good work/life balance. After working at the VA and then at a solo practitioner part-time I landed at FBMH. I now perform about >850 cataracts/year, LASIK/PRK, and work 4 days/week. Take call for practice only 1 week/month. Routinely proctor/teach ophthalmology residents, medical students and undergrads
- Big picture: Ask yourself what is your ideal job look like.
- Want more than just a salarylook beyond compensation...

BUT FIRST....HOW TO GET EMPLOYED: TYPICAL TIMELINE FOR RECRUITMENT

- Jobs posted at AAO late summer
- Outreach to colleagues and dept chairs
- Review candidates letters and CV's
- Initial interview at AAO annual mtg or ZOOM
- Site visits / 1st interviews: always visit
- Call backs
- Offer
- Contract
- Credentialing / onboarding

PRACTICE ENVIRONMENTS

- VC-backed group practices - ?growth, salary based, possible upside if sold and are a partner
- Locum tenens
- Solo practitioner
- Small group practice — equity/non equity partner
- Large group multi-specialty
 - physician employee vs equity partner/non equity partner
- Academic physician +/- Large group multi-specialty

PROS/CONS NON EQUITY PARTNER (AKA EMPLOYEE PHYSICIAN)

- Many ophthalmologists choose small or large group practice .
- Few elect to “hang their shingle” as solo practitioners. (unless independently wealthy!)
- Since 2016 increasing % of VC-backed practices or combined practices with hospital systems.
- Pros/Cons of **non equity** position
 - similar to renting
 - guaranteed salary
 - Mobility: often able to leave without cause and move on if you don't like it
 - no time devoted to business of medicine
 - limited control of daily schedule and /or surgical planning/tools.
 - self-limited income - you only earn a percentage of what you produce for the practice. no access to equity.

PROS/CONS EQUITY PARTNERSHIP

- Salary changes relative to entire practice success
- Pay employees before oneself
- High earning potential
- Involvement in business decision and planning
- Access to equity, ASC, Real Estate.
- Control over schedule and hires for technical help/equipment
- “Golden handcuffs” difficult to move away. great rewards if you stay.

THE BUY-IN: THE BASICS

- The “Buy-in” is an opportunity to become a partner in the business side of the practice. Is usually offered within first 2 years of employment and have proven oneself to be reliable, efficient, proficient, get along well with staff and patients, productive and driven. Practices want someone that “fits” culture and will help grow the practice.
- Remember: Buying in is akin to getting married to your partners
- Ask yourself: Self,? What kind of practice do you want: choose what's right for you from a wide variety of practice styles
 - I.e., is this practice a like a blue chip or a startup? A high tech venture firm or a small mom and pop shop?
- What is buy-in process?
- Due your due diligence.
- What are the opportunities for equity and or advancement?
 - practice vs. real estate vs ASC

JOINING A PRACTICE - THE PRACTICES PERSPECTIVE

- Practices spent a lot of time and money getting a few good candidates - they are usually motivated for you to sign. This gives you leverage to ask questions and take your time.
- Many practices are willing to make reasonable informed changes to any contract — if they aren't, this could be a clue you might not want to be there. Note: if they seem overly strict - ask them why they won't consider x, y or z?
- They want physician to match practice ethos/culture
- They want productive long term physician with good staff and patient interactions.
- They want someone that can be productive enough to buy-in and participate in leading the business, offset fixed costs, grow the practice and provide excellent care to patients.

DO YOUR DUE DILIGENCE FOR BUY-IN

- There is never a shortage of questions to ask whenever we talk about buy-ins. here are a few basic questions to make sure you get answered.
- Do we share same perspective/ideals? i.e., Is company wanting to sell to VC/PE in a few years and not interested in growing practice anymore but only want to improve their EBITDA- Earnings Before Interest, Taxes Depreciation and Amortization - used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures.
- How stable is the practice?
- Have other employees become partners? what percentage? you want a high %
- For those who left, how did their relationship end? are they still working? in what capacity? i.e medical ophthalmology vs surgical

DUE DILIGENCE CONTINUED

- Have they been approached by venture capital? do they want to be approached, are they interested in combining with hospital or other practices?
- When are principals thinking about retiring? what do negotiations with employee/er reveal about future relationships
- Other Red flags?
- Do we share the same growth objectives? Fear of investing in new tech?tools? office space? what expectations does employer have for me as an employee - hours/days
- Insurance panels/demographics? medicare/private payors?
- What is the size of the catchment area

PARTNERSHIP STRUCTURE CONTINUED

- Structure of partnership;
 - Is it biased towards older partners e.g., \$, patients, surgical time?
 - Is there protection for younger partners? shared costs? desire to increase income and production? EAT WHAT YOU KILL?
 - How transparent are “the books”?
 - e.g. Many successful private practice groups share fixed costs evenly amongst principal owners; variable costs divided 1/3 across the partners and 2/3 according to amount of resources utilized. The more time you spend in the OR and Clinic the more you have to pay in variable costs, but also the more money you make from the additional revenue. This way a more senior partner cannot afford to sit back and only produce a small amount - relying on the younger partners to do most of the work. It keeps them active contributing towards to the practices success.

SOCIAL MEDIA

- Research practice / physicians through review sites:
 - Google reviews
 - Healthgrades.com
 - Vitals.com
- Any board actions/ claims /complaints against physicians (especially aesthetics / refractive practices) on AAO or above sites.

BEYOND COMPENSATION

- Don't fixate on salary... there are many are things to consider that could be more valuable than just a the base salary. e.g., Are there additional cultural and professional growth opportunities in the practice or community?
- Are they wanting to offload work onto - or grow new physicians?
- Is there a willingness to make space for new tech and new techniques?
- Will you be challenged, supported, or left alone in the clinic and surgery? are they open to teach and help you grow to the next level?
- Reputation and Resources of the company: well known in community with strong history or is it a new practice with little name recognition or negative recognition?
- What are their Termination provisions - e.g., can you leave without cause quickly or do you need to wait 6 months?

BEYOND COMPENSATION CONTINUED

- What is typical work week look like? what is start date, work schedule, office locations?
- Are there specific numbers of patient required to be seen. How many patients / day, surgeries/year, type of surgeries?
- Opportunities for growth in subspecialty ie., start cosmetic? botox? Will you be able to learn from more experienced colleagues? Is this type of learning supported or neglected?
- What is the pathway for promotion
- Do you immediately receive voting shares based on agreement or are your voting shares held until they are paid in full?

DO'S AND DONT'S BUYING INTO A PRACTICE

- Do your due diligence
- Don't rely on a handshake
- Do get things in writing
- Don't assume practice is looking out for your best interest
- Do take the time to review an agreement
- Don't be afraid to ask for changes to any agreement before signing
- Don't be afraid to ask for help from professionals, friends, colleagues



COMPENSATION

- Stressful and exciting time for employer and employee
- Don't just look at base salary
- Base salary commensurate for your geographic location and speciality
 - Bonus formula i.e., 30% collections after 3x base. (ranges 20-30%, 1.5-3.5base salary.)
- Personal business expenses - cellphone, car, gator mileage, laptop, mtgs, membership dues, surgical instruments, subscriptions, lab coats, clinical tools
- Benefits: health insurance, disability, own-speciality insurance, paid time off , sick leave, tail coverage

OPPORTUNITY FOR EQUITY

- Equity is the financial package paid by the employee to obtain a percentage of ownership in the practice
- What's included in the buy-in? only equity in the business? hard assets? stock? real estate? ASC?
 - may be clinic and equipment excluding ASC/real estate.
 - inquire about optical
- What is length of time prior to buy-in ?
 - frequently 3-7 years.
- Real estate buy -in ? offered once partner income sufficient to afford added costs.
- ASC? depends on ownership options (partner owned, group owned, hospital owned)
 - can be lucrative

BUY IN STRUCTURE

- I recommend you hire independent professional accountant to determine current value assets less debt.
- Good will? Note: If you don't have any name recognition in the area, you are getting patients because of the company's name and history. this has a value. varies depending on size of practice, location, history.
- Are you immediately a partner or is that deferred until full payment?
- Pass through payments? hand written check?
- What percentage are you buying? are you buying another partner out or buying into a percentage of the company?
- Is there a managing partner? will your buy-in allow you to have voting in management and direction of company?

EXAMPLE: LARGE SIZED MULTI-SPECIALTY PRIVATE PRACTICE IN LARGE SUBURBAN AREA

- After 1.5-3 years as employed physician may be offered buy in with immediate percentage of partnership.(some may require prorated partnership until fully vested)
- Goodwill \$75-\$250,00 paid to current owners over 2-5 years (negotiable)
- Equity buy-in \$350 -\$1.5 million paid over 5 years for % of practice shared evenly
- After 2 years may buy into real estate at \$300-\$700,00 paid over 5-10 years.
- ASC buy in shares at \$7,000/share can purchase up to 5 initially and then 2 every year thereafter at current share price up to a total of 10 shares.
- Result: 1/5 equity partner after 4 years at practice with shared expenses and eat what you kill.

ASC BUY-IN

- Partner owned?
- Individual owner?
- Group ownership?
- How are you paid? when are you paid? quarterly? as a percentage of profit? shares? e.g. Dr X paid \$40,000 for 6 shares ASC, then bought 4 more over a 6 month period. Received 2 quarterly payments of \$1000/each.
- What happens if you want to leave? Note clause in fine print: if you leave for any reason other than natural retirement you will not receive your money back.

REAL ESTATE BUY -IN

- Is this offered? don't be afraid to ask if its a possibility.
- How long did prior partners take to be offered to buy in to real estate?
Commonly 2 years after practice buy-in depending on productivity.
- Amount and structure of buy-in? e.g., buying outright or purchasing shares from other partners. \$600,000 at 4% interest over 10-15 years. can be \$4-6K per month
- ROI - money spent on rent/mortgage can be significant. e.g. monthly rent \$18-25,000/month. you're responsible for most repairs/upkeep which can be expensive. May earn additional \$10-30,000 yearly in income.
- What happens to your accumulated equity if you retire/quit/get fired?

WHAT IF IT DOESN'T WORK OUT

- Unfortunately it is rare for any ophthalmologist to stay at their first practice after residency.
- 80% leave within 3 years. Hopefully you'll figure it out prior to becoming a partner.
- Reasons: inexperience, poor due diligence, not understanding ones own limitations or interests, personality clashes, pure greed, unethical behavior, change in life goals, misunderstanding what they were getting into.
- Beware of practices that go through a lot of potential partners but they all leave before they buy-in. this could mean its a toxic workplace, asking too much \$\$ for buy-in, not giving enough authority to new partners, only using employee docs to increase bottom line.
- Termination clauses

TERMINATION PROVISIONS

- Notice period i.e., 30 days up to 6 months
 - commonly 30 days without cause.
- Restricted covenant
 - Non compete
 - Non interference
 - Non solicitation
- Tail coverage - who pays and under what circumstances. Tail is insurance coverage for patients that you've treated/operated on while employed under current malpractice insurer. Tail can be expensive depending upon speciality — \$2,000-\$20,000. Make sure it is shared or the practice pays. you don't want to get stuck with a huge bill to leave a practice you don't want to work at anymore.

TERM AND TERMINATION

- Non compete
 - a duration of time after employment one is unable to work in a similar professional to current practice within a specified geographic location.
 - usually 6-12 months
- Non solicit
 - after term, one cannot induce or attempt to induce any customer, supplier, licensee or other business relation of the practice or any Affiliate to cease doing business with the Company or such Affiliate or to engage in another practice that competes with current employer
- Non interference
 - as a former employee, a person has special knowledge of the practice and its Confidential Information and the capabilities of individuals employed by the practice, and that interference in these relationships would cause irreparable injury to the practice. One cannot own, manage, operate, control, invest or acquire an interest in, or otherwise engage or participate in, whether as a proprietor, partner, stockholder, lender, director, officer, employee, joint venturer, investor, lessor, supplier, customer, agent, representative or other participant, in any Competitive Business. 1-2 years.

CONCLUSIONS

- Know your goals
- Match your expectations/ethos/goals to the practice
- Take care of yourself so you can take care of others
- Be willing to change.
- Do your due diligence. Don't forget social media!
- Don't forget to ask questions and ask for things that are important to you.
- It's ok to negotiate.
- Practices don't want to lose a good quality candidate over small things. Conversely, you don't want to lose a great practice over small things. Compromise.
- Remember you're joining a business. You're probably a great clinician but not a great businesswoman. Get professional help if necessary to review contracts.
- Good luck. Expect bumps in the road. Eventually you'll find a practice that matches your goals.