

Business of Plastic Surgery-Best Practices

SOLO VS. GROUP PRACTICE

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THE FIRST FEW YEARS...SOLO...

- **pick a community**
- **identify a major hospital**
- **hire a staff with help of a practice management team**
- **meet the community.. "ER" (not what it used to be)**
- **doctor's dining room**
- **join hospital committees**
- **wait for the patients**
- **count the new patients at the end of the week and rejoice**

THEN VS NOW

- **EASY PATIENT REFERRALS**
- **NO MANAGED CARE**
- **GOOD REIMBURSEMENT**
- **MINIMAL SECOND GUESSING BY PAYERS**
- **LESS DEMANDING PATIENTS**
- **REASONABLE OVERHEADS**
- **HARD TO GET NEW PATIENTS**
- **ALL MANAGED CARE**
- **POOR REIMBURSEMENT**
- **PAYERS CONTROL DECISIONS**
- **HIGH PATIENT EXPECTATIONS**
- **RISING OVERHEADS**

DECISION TO ADD A PARTNER?

- had good patient volume
- more work than could handle
- need more staff
- wanted to share cost
- potential for partner to grow
- more time off with family
- tired of continuous "ER" call
- had vision of a large group doing all of plastic surgery
- advice from practice managers to add partner

HOW TO FIND A PARTNER?

- called friends
- made contact with my residency program
- made contact with program where I was on faculty
- word of mouth
- solicited letters
- today: job boards, internet, society message board, psn advertising

INTERVIEW & SELECTION PROCESS

- **invite to visit after phone interviews**
 - **bring wife**
 - **pay transportation**
 - **spend time in office, or, and social setting**
- **invite more than one candidate**
- **ask colleague to interview potential associate**
- **decide on compensation package**
- **get wife's and staff opinion regarding best candidate**
- **make the offer**

COMPENSATION OPTIONS

- **full salaried position**
- **partial salary with incentive**
- **no salary with reduced overhead**
- **pays equal overhead vs. reduced for a limited time**
- **when production is close to mine, equal overhead (took about 2 years)**
- **referred overflow with no compensation to me**
- **associate not partner-works within my corporation**
- **"ER" call, shared cases, divided fee equally, equal call schedules**

WHAT HAPPENED?

- **associate got busy -virtually equal in production within two years**
- **overhead changed to equal split**
- **took home own income after overhead**
- **began to consider third person**
- **both looked for possible third**
- **selected from my previous academic program**
- **offer to third person similar except overhead capped at 1/3-floated as production increased**

TIME FOR FOURTH ASSOCIATE?

- three associates eventually established true partnership
 - I sold them each 1/3 of hard assets
 - no goodwill
 - began to take equal salaries if production was within 15% of one another
- practice continued to grow-considered a fourth
- opportunity as co-resident of 1st associate became available - left academic position in area for private practice
- considered increasing geographic coverage of group
- fourth MD was to develop new geographic area and patient base. Had potential to bring patients from previous position

FOURTH MD JOINS PRACTICE

- **same offer as others - an "opportunity"**
 - **quicker to reach production plateau**
 - **offered buy in at 1/4th value - gross value of practice increased with two partners so buy in was approximately the same**
 - **shared income as equal salaries**
- **added additional offices expanding geographic coverage and draw**
- **additional "ER" and hospital coverage**
- **continued to share cases and divide income equally**
- **managing partner for periods rotated among docs**
- **equal votes at corporate table now with four partners**

DAY TO DAY OPERATIONS

- **limited size of original office now with four physicians and additional staff**
- **selected several office managers none of whom was appropriate - stressful**
- **more physicians to cover managed care contracts**
- **began to consider marketing for cosmetic patients**
- **more physician meetings to work through philosophical differences and opinions**

PRACTICE CHANGES

- perception that we needed a female md
- added as 5th md in salaried position
- changed primary office with increased size and more staff....now with 3.5 offices
- joined in partnership to open a surgicenter...anticipated other physician owners...failed to materialize
- added a 6th md, also female...about 3 years after last addition
- had a stable office manager with mba...consulted with other large groups

PROBLEMS IN THE GROUP

- expanded at time of decreasing revenues for reconstruction; recession in California impacted cosmetic surgery
- left strength and foundation of original practice and moved main office to another community
- equal votes at corporate table...became two vs. two...no ability to move forward
- different philosophies re practice...changed with time
- age differential affected values & decisions
- conflict with employed physician
- decreasing revenues with increasing overhead
- no clear buy-sell agreement...most done on a hand shake-doesn't work today

IT BEGINS TO UNRAVEL

- practice had lasted 15 years
- 6th md left and sued for ar and charts...settled for cash
- 3rd md resigned from partnership
- 10 year lease on newest space required renegotiation...partner's refused to close any of outlying offices...
- practice manager resigns
- fiefdoms had developed among employees
- revenues had stabilized but at lower level
- corporate table vote now 2 to 1
- surgicenter startup fails
- begin to divide assets and employees
- Partnership breaks up...like a bad divorce

HOW IT ENDS?

- 3rd md goes into solo practice-resigns by e-mail
- 2nd & 4th md go into practice together
- I go solo with 5th md as associate..shared overhead
- 6th md goes solo
- relationships badly damaged
- assets claimed by partner md's attempting to be fair
- AR continued to be collected and applied against outstanding debts
- corporate name buried and not used by anyone
- employees offered jobs with various md's...some left
- patient records became property of respective md's
- did not have buy/sell agreement...a mistake

WHAT DID I LEARN ?

- **group practice requires continued effort to maintain...a type of marriage**
- **age differential is a factor**
- **founder needs to have ability to bring votes to closure...can allow changes...needs to maintain voting control to manage differences**
- **must have a solid buy-sell agreement**
- **need to avoid fiefdoms among staff**
- **base salaries with incentives should be considered**
- **need strong practice manager with authority not questioned by partners**
- **do homework before expanding**
- **don't spend everything you make**
- **reinvest in practice**

WHERE AM I NOW ?

- solo practice with an associate working toward partnership
- one office
- devoted employees who want to be there
- patient's who prefer one office, one staff
- shared overhead with independent incomes
- no marketing budget...personal expenditure i.e. web site development
- support in coverage
- much happier with less stress

SOLO OR GROUP?

- Solo
 - Majority of PS
 - Autonomy
 - Mom/pop operation
 - Potential to control overhead
 - Control personal time
 - Personal style allowed
 - Income dependent on yourself
 - Need coverage
 - Try to sell practice
- Group
 - Lesser number
 - 2-8 physicians
 - Join existing or starting your own?
 - Established group
 - Less autonomy
 - Group personality over personal
 - Coverage
 - Salaried
 - Retirement plan & buy out

MERCI

