

DIRECT PRIMARY CARE Summit



2018

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AMERICAN ACADEMY OF
FAMILY PHYSICIANS



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Positioning your practice for growth: Physician Recruiting

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Submit your questions to: aafp3.cnf.io

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Learning Objectives

- Identify opportunities and challenges in adding a new physician.
- Understand how to position their practice for sustainable growth.

About me..

- Practicing direct Primary Care in Indianapolis since 2003.
- Owner of a practice that has seven physicians over two office locations.
- Member of the DPC coalition steering committee
- Active in lobbying congress for legislative changes.
- Working with CMS and CMMI to develop a DPC pilot program.
- Currently also the CMO for ROAMD, a DPC travel medicine organization.
- I'm not getting paid to be here, and I'm not selling anything!

AES Question

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I am thinking of adding another physician in the next 1-3 years

- a) Yes
- b) No
- c) I'd like to, but I have no idea what the process is and the thought of all that work gives me a panic attack.

How much will this next physician cost your practice?

- a) I think I can get them to work for free, or pay for themselves
- b) 100K-200K
- c) 200K-300K
- d) 300K+

If I were to bring on another physician, I'd want them to be....

- a) An equal partner from the beginning
- b) An employee initially, with an ability to buy-in over time
- c) A permanent physician employee

What is the ideal size of a DPC practice?

- Most practices nationally are either one or two physicians.
- Ideal size depends on level of service offered.
- Most would agree that it would be ideal to have at least one partner in the practice who is dedicated to providing the same level of service as you are.

How big is too big?



Issues with a large DPC practice.

- Too many physicians
- Patients cannot know them all well
- Office itself is too big and loses the sense of familiarity
- Staff gets too big or turnover is too high
- Lose the personalized touches of a small practice
- More time spent managing the practice

Benefits of a larger practice

- Dominate the local market
- Contract with employers to take care of entire populations
- Increase the number of services
- Maximize the income potential of your practice through better utilization of staff/ space
- Create opportunities to employ other physicians
- Generate long term practice value

Risks of staying a one or two doc shop

- Easily overwhelmed by new local competition
- Susceptible to losing a key employee, and failing to deliver on your service promise
- Revenue limited to how many patients you can see
- Practice worth less when you want to retire
- You may not have anyone to sell it to

When is it time to add another physician?

- Do you want to continue to grow the practice?
- Your maximum doc/patient ratio? (average around 1:600)*
- Your current panel size? (average panel size is 345)*
- What is your current growth rate?
- What is your annual retention rate?
- Can you afford this physician?

• *Source:AAFP DPC survey

Does your current business model support this?

- Not the focus of this talk, BUT....
- Fee structure must support addition of extra physician
- Only 17% of DPC practices have a full panel*
- Average FM salary of 207K, IM salary of 223K*
- Significant additional financial costs (malpractice, SS match, 401)
- Actual costs of employing a physician will typically top 300K with benefits and extra staff

- *Source: AAFP DPC survey

Making the call

- Plan on thinking out 12-18 months prior to when you'll actually need the help in the office.
- Avoid hitting your patient cap before hiring another doc.
- Will the new doc fill a currently unmet need in your practice (pediatrics, sports medicine, different gender than you?)

Where to find your next physician?

- Always utilize your personal network connections first
- Talk with local docs you know and respect
- Utilize local residency program resources
- Don't be afraid to hire a young physician
- Advertise with your local physician medical association
- Physician recruiters will be cost prohibitive for most

Business Partner, or Physician Employee?

Benefits of bringing on a new partner

- Bring equity to practice by “buying in”, signing for debt, or working for a reduced salary to buy in.
- Should have a greater stake in office performance as an owner.
- Some physicians will demand a partnership track be made available as a condition of employment.
- Someone else to “share the risk”
- Could bring patients to help grow the practice

Downsides to adding a new partner

- Dilutes your control of the practice
- They may not share your vision for the practice, the culture, or your management style.
- Must be willing to open the books to them
- They may not grasp what went into the creation of the practice.
- Must have a current practice valuation

Benefits of hiring an employed physician

- No need for practice valuation
- Making key decisions is easier with fewer people.
- Some physicians don't want the risk of being an owner.
- Removing an underperforming physician is easier if they have no ownership stake.
- Could increase your overall bottom line.

Downsides of an employed physician

- May not have the same commitment as an owner would when it comes to patient care.
- Possible resentment on the part of the employed physician for the owners of the practice.
- Greater likelihood of them leaving (and taking their patients with them) if they become dissatisfied.

Do's and Don'ts of hiring a new doc

DO

- Make sure they get your office culture and have the right personality.
- Have a transparent compensation strategy.
- Know what your measurable standards are (KPIs)
- Make sure you check their references!!
- Get an iron clad non-compete clause.
- Include geographic radius and liquid damages to non-compete.
- Make sure you have an equitable exit strategy.

Do's and Don'ts of hiring a new doc

DON'T

- Don't presume that equity always has to be part of the conversation.
- Don't hire out of need, hire out of want.
- Don't “work out the details” later.
- Don't underestimate the importance of cultural integration.
- Allow a physician to retire and continue to own a significant stake in your practice.

Questions?

Submit your questions to:
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Don't forget to evaluate
this session!

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