Starting in Practice, Part 1

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Learning Objectives

• List the key elements of an employment contract
• Evaluate the economics of a practice purchase versus a buy-in versus starting a practice from scratch
• Understand how to conduct a thorough evaluation of a potential employee

Getting Started

John Ramey, MD, FAAAAI
National Allergy and Asthma
Charleston, SC
Ease of Job Hunt 2010

- Overall lack of positions 71.4%
- Lack of positions in desired locations 81%
- Lack of positions in desired setting (HMO, group setting, etc) 47.6%
- Inadequate salary 47.6%
- Family considerations 35.7%
Be Prepared
- Do I want to be an employee or owner?
- Start to look 1-2 years in advance
- Know average compensation, benefits, etc
- Have a list of questions
- Research the practice

Employment Positions
- Government employee
- Academic position
- Salaried employee
- Ownership track
- New practice start up
- Partnership track
- Hospital employee

Why Are They Hiring?
- Anticipated growth of practice
- Previous growth of practice
- Any physicians retiring or leaving practice?
- How do you fit in the practice?
**Contract**

- **Must** have a written contract
- Should address future transition
- Need legal counsel familiar with physician employment contracts in that STATE
- You are NOT a legal expert
- Negotiate hourly rate or fee up front

**Office Visit**

- Schedule time to see office operating
- Some practices may pay for your interview
- Shadow time with key physicians
- Meet practice manager
- Be wary of practices that don’t answer your questions

**Questions to Ask**

- Description of position
- Office hours & IT office hours
- Call coverage
  - Hospital consults and coverage
- Anticipated number of patients seen per day
- Procedures performed and skills required
Questions to Ask

- Type of practice (AI, Ai, aI)
- % of patients on immunotherapy
- Number of offices/satellites
- Exam rooms per provider
- Supervise PA/NP
- Teaching of residents/students

Questions to Ask

- Any physicians leave or terminated (why?)
  - CALL ALL MDs THAT HAVE LEFT
  - Talk with all physicians
- Success of past MDs
  - Partnership level achieved
  - Time to buy into practice
- Staff turnover

Questions to Ask

- Malpractice history of physicians
- How is the practice going to help advertise you?
- Community “status” of practice
- Any plans to sell the practice?
- Go with your gut
Technology of Practice

- EMR or paper charts
- Remote access
- ePrescribing
- Practice web site, Facebook, Twitter, LinkedIn
- Computer access in exam rooms

Financial

- What are the practice’s expectations?
  - Goals to make partner
  - Will they share your financial info?
- Physician compensation and buy-in documents
  - Goodwill?
  - How will buy-in be financed?
  - Percentage ownership/voting rights
- Bonus and productivity structure

Benefits

- Insurance
  - Medical, dental, disability, life
  - Dependents?
- Malpractice coverage
  - Limits
  - Tail
- CME/conference time and budget
- Vacation & holidays
- Number of days worked per week
- Sick days
Financial (may or may not share)

- Fee schedule
- Insurances accepted and percentages
  - HMO/capitated
  - Medicare, Medicaid, Tricare
  - PPO/POS
  - Cash pay
  - Collections?
- Practice overhead

Financial (may or may not share)

- Structure of corporation
- Profit and loss statement for corporation (past 2+ years)
- Assets of practice
- Liabilities/profitability of corporation
- Previous bonuses paid to partners and employee physicians
- Can you buy into the buildings?

Other questions?

- Picture yourself in the practice long term?
- Changing practices is emotionally and financially challenging
- Will your significant other be happy?
Leaving a practice
• Non-compete clause (enforceable?)
• Disclosure to patients and referring physicians
• Access to medical records
• Buyout (if partner)

Termination
• With cause vs without cause
  – How long?
• Tail insurance?
• Agree to mediation in contract?

What Happens at Retirement?
• Accounts receivable
• Immunotherapy vaccine revenue after retiring? (1-3 years)
• Buyout of vested partner
  – How is this financed?
• Plan for retirement - even if you don’t plan to retire in the near future!!
• Buyout of a building
Final Thoughts

- Be realistic with your expectations
- It may be worth sacrificing on the employment agreement to get a better partnership
- Know standard compensation for the area

Starting a Practice

John Seyerle, MD
Allergy & Asthma Care, Inc.
Cincinnati, Ohio

Objectives

- Know the basic steps necessary to start a practice
My Background

• Finished fellowship in 2011
• Previous experience as CPA
• Ran medical department in Navy
• FIT Rep for ACAAI and JCAAI
• Looked into starting my own practice
  – Wife and 2 kids to support
  – Concerned about initial lack of income

My Current Practice

• Joined solo practice in 2011
  – Recently purchased old practice
  – Previous MD had stopped new pts
  – Large patient base but few referrals
• 4 offices in Cincinnati and IN
• Able to help grow practice
  – Involved in management at start

Starting a Practice

• Who?
• What?
• Where?
• When?
• How?
Starting a Practice

- Who?
  - The right person
- What?
  - Types of startup
- Where?
  - Finding the right location
- When?
  - Timeline
- How?
  - How to start

Who? Benefits of Ownership

- Control income
  - Often better than in employment
- Control hours & lifestyle
- Select staff and associates
- Less internal politics
- Hopefully no personality disputes if in solo practice

What? - Types of Startup

- Employed
  - Hospital helps with financing/salary
- Cold
  - From scratch
- Purchase
  - Find retiring allergist
Startup Options

- Solo
- Sub-, multi-, shared- specialty
- Job-sharing or part-time
- Satellite offices
- Concierge/cash
- Clinical studies
- Ancillary services and labs

Where to Practice?

- Decide where you want to live
  - If you are starting your own practice, you might as well live where you want
  - Think about competition and reimbursement

Evaluating Opportunities

- Income vs. lifestyle
- Where do you want to live?
- To be or not to be… near family
- Control vs. colleagues
- Then consider financial issues
- Then begin the search
- Ask a lot of questions
Best Options Financially

• Replace a retiring allergist with a strong practice
• Find area that needs an allergist
• Consider Central & South U.S.
  – Higher earnings
  – Lower cost of living

Buy vs. Build

• Buy
  – Pay for “goodwill”
  – Less hassle, systems in place
  – Patients and referrals started
  – Everything not your way
• Build
  – Less income first year
  – Everything new and your way

Demographic Study

• Call allergists in the area pretending to be a potential patient and find out wait times for new, non-urgent patients
• 2+ weeks is best
Facilities
  • Try to avoid building an office
    – Adds $100,000-250,000 to cost
  • Take over someone else’s office
    – For at least 1-2 years
    – Buy practice to get it

Buying a Practice
  • Ask around to see if someone wants to sell their practice
  • Don’t buy, or buy into, a practice without a professional valuation
    – In advance
    – Unless they are giving it away

Location
  • Look for “office for rent” signs around hospital
  • Too many – or none – may indicate a problem
  • Call the real estate agent with the most signs
  • Ask hospital CEO’s secretary
When? - Timeline

• 6+ months for credentialing
• 6+ months to build office
  – 3 months to remodel
• 2 months for staff hiring and training
• 4-12 months before profits
• See PM Guide Timeline

How? - Common Issues

• Business plan
• Financing
• Credentialing & insurance
• Staffing
• Referral development – SIP II
• Income and expenses – SIP II

Business Plan

• Less than 10 pages
• Don’t use business plan software
• Get professional help
  – CPA, medical practice broker
• Take a small business class
Business Plans

- Describe market, now and future
- Analyze competition and you
- Assess income and overhead
- List the goals
- Make a calendar
- Execute the plan
- Adjust frequently

Lawyers and CPAs

- You’ll need a lawyer once to set up your corporation
- You’ll need a CPA every year
  - Prioritize accordingly

- Medical CPAs and attorneys at:
  - NSCHBC.org
  - AICPA.org
  - HealthLawyers.org

Financing Your Startup

- 100% financing available
  - For startups and purchases
  - From specialty lenders
  - Find practice broker or CPA
Joining Insurance Plans

• Try to be “in-network” for as many as possible
  – Patients use this to pick doctors
• Ask hospitals to help negotiate
  – Many have provider networks

Naming the Practice “John Seayverley?”

• Consider a practice name if you might have associates or if your name is hard to spell
  – Try to get name starting with “A”?
  – Memorable and professional
• Check for names already taken
  – Yellow Pages
  – Internet
  – Secretary of State website

Internet

• Secure your name as a domain name now
  – JohnSeayverleMD.com
• Also get your practice name now
• Have an alternate name that can be spoken and spelled correctly that redirects users to your site
  – i.e. AllergyCincy.com
Staffing Issues

Never hire someone you can’t fire

Payroll is Biggest Expense

- Depends on practice style
  - Location affects wages
  - Amount of outsourcing
    - Transcription and billing
    - Less staff is not always better
    - Quality usually proportionate to rate
    - Watch out for “FTE & wage creep”

Payroll, continued

- FTE (full-time equivalent)
  - ACAAI data suggests
    ~7.5 FTE/physician
  - AAAAI Practice Management Financial Data Survey
    ~5 FTE
  - NSCHBC.org
    ~4.5 FTE
Staffing

• RN gets paid more than MA
  – Sounds simple
  – But need to keep wages in mind
  – Don’t have RNs do MAs’ work

• Find wages at Salary.com

• Hire staff that knows their job better than you do!

Other Resources for Getting Started

Tao Le, MD, MHS

Other Resources for Getting Started

• AAAAI practice management resources
• AAAAI job placement center
• ACAAI job placement center
• “Best Friend’s Guide to Finding a Practice”
• New England Journal of Medicine Career Center
• AMA’s solutions center for practice management
• Medical Group Management Association
Other Resources for Getting Started

- Consultants, CPAs and attorneys at NSCHBC.org
- Statistics at NSCHBC.org and MGMA.com
- Certified billers and billing services at HBMA.org
- Cost of living/salary calculators
- Your program director and alumni of your training program
- Local allergy society (where you want to practice)
- Your family
### AAAAI Practice Management Resources

#### Breakdown by Region (median)

<table>
<thead>
<tr>
<th>Region</th>
<th>Charges</th>
<th>Collect</th>
<th>Expense</th>
<th>Profit</th>
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<td>852,783</td>
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<td>395,145</td>
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<tr>
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<td>868,442</td>
<td>478,975</td>
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<td>Central (12 for 60)</td>
<td>1,160,000</td>
<td>700,000</td>
<td>400,000</td>
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<tr>
<td>Midwest (13 for 30)</td>
<td>970,801</td>
<td>677,396</td>
<td>302,625</td>
<td>325,000</td>
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<tr>
<td>West (8 for 30)</td>
<td>1,066,189</td>
<td>792,910</td>
<td>419,089</td>
<td>289,654</td>
</tr>
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AAAAl Practice Management Resource Guide

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• Chapter 6 – Coding and Billing Basics

AAAAl Practice Management Resource Guide

• Chapter 7 – How to Market Your Practice
• Chapter 8 – Common Clinical and Office Operational Procedures
• Chapter 9 – Allergen Immunotherapy Extract Preparation Guidelines
• Chapter 10 – Electronic Medical Records, Prescribing and Practice Management Software
• Chapter 11 – Buying or Buying Into a Practice: What is an A/I Practice Worth?
• Chapter 12 – Using Simple Bookkeeping Principles and Reports to Analyze Allergy Practice Performance

“Best Friend’s Guide to Finding a Practice”
• Written by the consultants at CompHealth
• Designed to help physicians in their search for a new opportunity
• Please direct any request for reproduction of this material to:
  CompHealth Physician Search Group
  10 Norden Place, Suite 200
  Norwalk, CT 06855-1786
  Toll-Free: 800.365.8900

Certified Billers and Billing Services
http://www.hbma.org

Cost of Living and Salary Calculators
• http://cgi.money.cnn.com/tools/costofliving/costofliving.html
• http://swz.salary.com/costoflivingwizard/layoutscripts/coll_start.asp

Don’t forget about…..
• Your program director and alumni of your training program
Don't forget about.....

• The local allergy society for the area where you want to practice

The most important factor of all ....

Your family!

Other Resources for Getting Started

2. AAAAI Career Center - http://www.aaaai.org/careers
3. ACAAI Job Source - http://jobs.acaai.org/home/index.cfm?site_id=731
Other Resources for Getting Started

- Statistics at NSCHBC and MGMA
- Certified billers and billing services - http://www.hbma.org
- Cost of living/salary calculators -
  http://cgi.money.cnn.com/tools/costofliving/costofliving.html
  http://swz.salary.com/costoflivingwizard/layoutscripts/coll_start.asp
- Your program director and alumni of your training program
- The local allergy society for the location where you want to practice -
  http://www.aaaai.org/members/rsisocieties
- Your family