STRATEGIC GUIDELINES FOR RESIDENTS
(Buy-Ins and Employment Contracts)

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Disclosure Slide

• Michael D. Brown, CHBC, BSBA
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• Health Care Economics
  — An affiliate of Blue & Co., LLC
• Memberships
  — National Society of Certified Healthcare Business Consultants
  — Institute of Business Appraisers
• Publications: over 100 articles and 2 books
• No outside funding, grants or industrial support

Professional Team

• Who will you need to be included in your professional team?
  — You should have a consultant who is familiar with the health care environment
  — You will need an accountant
  — You will need an attorney
  — You will need a financing representative/banking institution

Buy-In Considerations

• Key Data Gathering Pieces
  — What is the current age of the physician?
  — What is their philosophy on how the buy-in should take place?
  — What is the timeframe expectation of the Senior Physician?
• What is the history of the practice?
  — Income
  — Expenses
  — Net Income
  — Owner Compensation
**Buy-In Strategies**

- Internally (Employed physician buy-in/buy-out)
- Externally (The competition or a company)
- Combination (Any percentage of both, i.e., 50:50/60:40)

**Documents Needed:**
- Cross Purchase/Buy-Sell Agreement
- Practice Appraisal to Determine Value
- Terms and Conditions Agreement
- Development of a Document for the Business Plan

**Practice Valuation**

- **Practice Valuation**
  - Needed for mergers, acquisitions, buy-ins/buy-outs, divorce, financing, etc.
  - There are two components of value:
    - Physical Assets
    - Goodwill

**Business Plan**

- Any financial institution will require a Business Plan to obtain financing. Business Plans cover:
  - Background
  - Strategic direction
  - Mission values and beliefs
  - Organizational structure
  - Initiative
  - Targeting, marketing and sales strategies
  - Revenue for the 1st and 2nd year
  - Objectives and Outcomes for the Practice

**Employment Agreements**

- Components of an effective employment agreement:
  - Salary and bonus
  - Benefits
  - Buy-In and Buy-Out
  - Restrictive Covenants/Non-Competition
  - Expectations
  - Termination clauses
  - Business expectations
  - Value
    - Practice valuation
    - Tangible and intangible assets
    - Goodwill
Managed Care Contract Considerations

- Capitation or Fee For Service
- Break Even Analysis
- Negotiable points
- Negative points
- Your responsibility
- Your assignability

Common Pitfalls Physicians Make in Managed Care Contracting

- Trusting that the plan is solid
- Over-estimating the market impact to the practice
- Being locked in when you *really* want out
- Being put out and not being able to negotiate (deselected)
- Being responsible for services you don’t provide
- Agreeing to rules without seeing them upfront
- Being required to use a referral source (PCPs)
- Needing prior authorization/pre-certification

Make sure you understand every contract *before* you sign the bottom line.