

HOW TO ASSESS A MEDICAL PRACTICE OPPORTUNITY



A Guide for Physicians Seeking the Right Practice

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As professionals working in the physician staffing industry are aware, the first two questions doctors typically ask about a practice opportunity are:

1) "Where is it located?"

And:

2) "What is the financial offer?"

These are obviously important questions, but physicians interested in determining if a practice opportunity is right for them and for their families should go much deeper. Following are some issues physicians seeking a practice should consider, and questions they should ask, as they work through the intensive (though often quite interesting and rewarding) process of evaluating a practice.

These issues and questions are not just relevant to physicians evaluating the job market, however. They are important to hospitals and medical groups that are recruiting physicians and who will be asked to respond to a variety of candidate inquiries and concerns. Hospitals and groups should be prepared on the front end with a detailed physician recruiting position statement and plan that anticipates what candidates are likely to ask.

CONCEPTS TO CONSIDER INCLUDE:

1. Accept the process for what it is

Physicians considering a career change are taking a step that will have profound consequences for themselves and their families.

- A. Accept that the process will be rigorous and time consuming.
- B. Be prepared to spend hours on the phone with recruiters or other representatives of the practice before an on-site interview is scheduled.
- C. Include your spouse or significant other in these telephone discussions
- D. Fact-find on the front end. Learn all you can about the parameters of the practice, including financials and contracts, before the on-site interview is set. Keep in mind the interview is for *confirmation* not for *exploration*. By the time you meet your potential colleagues or employer, you should know what the practice and the community are all about.

2. Understand the vision of the group, hospital or health system

In an era of health reform when delivery models are undergoing profound change, physicians need to understand the vision of the group, hospital and/or health system they will be joining.

- A. Do they intend to designate as an ACO or medical home? If so, what is the plan for physician integration, quality measures, cost containment, and reimbursement distribution?
- B. Are there key physician leaders within the hospital or health system advocating the physicians' point of view? If so, who are they and what are their priorities?
- C. What are the plans for integrated EHR?
- D. Are there ongoing negotiations with major payers within the state?
- E. Are there plans for practice mergers or integration with larger entities?
- F. Where does the practice stand in the shifting continuum between traditional, fee-for-service practice and the integrated model with its associated quality and cost effectiveness metrics?

The leadership, direction and stability of the leading local health systems have become part of the evolving conversation in physician recruitment, whether or not you are considering joining a private affiliated group in the community, or employment by the system. It is important today to understand the larger context of the health care market in which you will be practicing.

3. Determine if there is a defined need for your medical specialty in the service area.

It is important to know whether your services are really needed in the community, and the basis for that need. If part or all of your compensation will at some point be tied to your production, you should be satisfied that an adequate patient base will be available.

- A. If the opportunity is in a designated Medically Underserved Area (MUA), or Health Professional Shortage Area (HPSA) per the U.S. Department of Health & Human Services, there is probably a need for primary care and there is likely a need for certain specialists as well. The recruiting group or hospital should know if they are in a designated MUA or HPSA. You may research this independently, however, by accessing the web site of prominent immigration attorney Carl Shusterman here: <http://shusterman.com/medicallyunderservedareas.html>.
- B. Determine the physician-to-population ratio in the area for your specialty, and compare this

ratio to various studies indicating the required number of physicians by specialty per 100,000 population. The recruiting medical group or hospital should have these ratios. You may also obtain physician-to-population ratios by contacting Merritt Hawkins at 800-876-0500.

- C. Ask for information about local patient outmigration patterns.
- D. Determine if the local physicians have full practices, and whether they support your recruitment.
- E. If you are joining a group in a competitive market, will there be patient overflow from colleagues with currently long patient wait times, or is the intent for you to build a practice and capture market share?
- F. Ask about the group or hospital's medical staff plan. Many hospitals today, and some large medical groups, prepare staffing plans that analyze patient demographic trends, acuity levels, and other data required to determine community need for physicians.

4. Ensure that there are adequate resources available for you to establish a practice.

If the groundwork for your recruitment has been laid properly, resources should be in place or pending that will allow you to establish your practice.

- A. Ask where your office will be located, whether it's clean and attractive, and if it has ample space, competent staff, and the necessary equipment.
- B. If there is limited access to required technology, ask if funds are allocated or available in the budget for purchasing what is needed.
- C. When the position is not with a major teaching program or tertiary center, it may not be crucial to have all state-of-the-art equipment, but it is important to know how your patients can be referred to subspecialists and the most contemporary diagnostics when necessary.

5. Ensure that the recruiting facility has a clearly written work schedule with patient volume and on-call expectations.

One of the main reasons why physicians don't "stick" with an opportunity long-term is that expectations regarding work schedules and related matters were not properly communicated on the front end of the recruiting process. Physicians often go into a new practice expecting a certain level of time commitment, on-call duties, etc. only to find that the reality is something different. A better approach is to obtain work expectations of the practice in writing so that there are no surprises.

- A. Determine what the standard hours are and approximately how many patients you will be expected to see per day to cover your salary, benefits and overhead.
- B. Determine what the rotation and normal number of calls and/or encounters per month are for each of the following three on-call categories: (1) outpatient only practice call, (2) the practice's inpatient census, and for (3) unassigned Emergency Department calls.
- C. Though opportunities with little or no on-call responsibilities are preferred by many physicians, remember that understanding the "frequency vs. volume" balance often is necessary in weighing the potential quality of life associated with a particular opportunity.

6. Determine if the community's amenities will meet your needs and those of your family.

Almost everyone has preconceived notions about various parts of the country or particular communities. Physicians seeking practice opportunities should put these notions aside and examine the amenities that each community offers objectively. Merritt Hawkins has recruited hundreds of doctors who began the conversation stating they would never live in the community to which they were ultimately recruited. Keeping an open mind can lead you to opportunities that match both your professional and personal needs.

- A. According to the Association of American Medical Colleges, 89% of physicians prefer communities with populations of 50,000 or more. However, it is access to amenities, not population size that will determine if a community is right for your family. Dig a little deeper to find out what the community actually offers.
- B. Discuss proximity to the nearest major metropolitan area, entertainment and recreation, high end retail shopping, international airport, fine dining, places of worship, and attractive neighborhoods.
- C. When evaluating local schools try not to focus on how the "average" student in the district compares with state or national norms. The greatest contributing factor to a child's academic success is the educational level of their parents and the emphasis placed on learning in the home. When physicians are researching public and private school options it is more meaningful to examine the quality of enrichment resources, applicable special education programs, extra-curricular activities of personal interest, and universities where top graduates eventually matriculate.
- D. Determine the real estate options. Ask for prices of homes, pictures of available homes and neighborhoods, virtual tours, etc.
- E. Ask about the lifestyles of physicians already practicing in the community. Do they send their children to local schools? Can they afford second homes in the mountains or by the ocean? What hobbies or outside interests are they able to pursue in the community? Do they feel safe and accepted?

7. Determine how the financial package benchmarks against the most recent and relevant physician compensation figures.

Some years ago, in the era of traditional private practice, there was only limited data regarding physician compensation. Now that many physicians are employed, more data exist to benchmark physician compensation and help structure incentive packages.

- A. Reference annual reports published by the Medical Group Management Association (MGMA), the American Medical Group Association (AMGA), American Association of Medical Colleges (AAMC), Sullivan Cotter, The Hay Group and Merritt Hawkins, depending on the academic or clinical nature of the position. Keep in mind that the aforementioned surveys are based on information reported during the prior year, so it is also extremely helpful to consult a knowledgeable recruitment firm and inquire about real time data for current starting offers.
- B. Obtain an understanding of who your patients will be, the local payer mix, outmigration patterns, and other data that will confirm your ability to maintain a busy practice and achieve production bonuses.

8. Make sure the compensation structure is appropriate for the position and your mindset.

There are an increasing number of financial structures and contract types being offered to physician candidates today (inquire about Merritt Hawkins' white paper *Physician Recruiting Financial Models*). It is important to ensure that the structure being offered reflects your mindset and financial goals.

- A. If you have significant business acumen, and an entrepreneurial spirit, it may be viable to consider an "income guarantee" from the hospital to build a start-up practice. Due to changing medical economics and other factors, there has been a large decline in the use of income guarantees, as physicians have gravitated to employed settings. However, such guarantees offer the benefit of practice autonomy and are still attractive to some doctors.
- B. Of the over 2,600 physician search assignments Merritt Hawkins conducted in the last 12 months, 74% offered a financial structure featuring a base salary and a production bonus (see *Merritt Hawkins 2011 Review of Physician Recruiting Incentives*.*). Employers should have a clearly defined bonus structure for the opportunity. Variables frequently measured for determining production bonuses include Relative Value Units (RVUs), net collections, net charges, patient encounters, timely records, patient satisfaction, patient panel size, qualitative metrics, profit share, on-call pay, departmental goals, administrative responsibilities, leadership stipend, retention and discretionary bonuses. Transparency is

essential – make sure you understand the terms of the financial structure and the metrics on which your productivity will be based.

- C. Private practice groups offering equity ownership should also have a defined process that is transparent and easily understood. Today, some 90% of these opportunities are offering a 12-24 month partnership track.

Conclusion

Though the analogy may be an overly familiar one, assessing a practice opportunity is like conducting a patient examination. You need to be thorough, ask questions, and listen carefully in order to achieve an appropriate diagnosis.

For additional information regarding assessing practice opportunities, physician compensation, recruiting and related trends, contact Merritt Hawkins at:

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*For a complimentary copy of *Merritt Hawkins 2011 Review of Physician Recruiting Incentives*, please call us at **800-876-0500**.



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