

Preparing for Partner Buy-In

Preparation is Key

The process of bringing a new partner into the practice should begin when the physician is hired as an employee.

There are many things to consider during the first few years of the new physician's employment leading up to the buy-in. What will I charge? Where will the practice be in two or three years? Will I want to offer partnership to this employee doctor? The first two questions can be answered after having a practice valuation done and conducting a strategic planning session. The third question can only be answered over the time leading up to the buy-in. As a consequence, it will be important to address issues of compatibility long before the buy-in negotiations and discussions begin. Doing so will eliminate problems later in the process, and will increase the chances of being able to successfully complete the buy-in.

Employment agreements and contracts should have language built in that obligates the parties to openly discuss compatibility issues no less than quarterly. It is very important that these meetings take place in a timely manner. The content and results of these compatibility meetings should be documented and signed by both parties. Prior to these meetings, each party should develop talking points so the process can be kept on track. The following are some examples of talking points that might be included from the perspective of the employer in a quarterly compatibility meeting.

Quarterly Compatibility Meeting

1- How are we doing?

- ✓ Express the employer's opinions and concerns. Lead the discussion with the positives
- ✓ Ask for the employee physician's perspective and assessment giving them ample time to express themselves

Please note that the following are fictional examples of some facts that may be stated and discussed in a compatibility meeting.

2- Facts:

- ✓ We have met and/or exceeded expectations relative to productivity, and financial contributions to the practice.
- ✓ Dr. Employee's compensation increased from \$200,000 to \$225,000 as of the fourth quarter and (fifteen (15) months into the contract term), based on a break-even milestone, and terms of the "Agreement".
- ✓ Two bonuses have been paid equaling \$60,000.00. First was \$20,000.00 on (Date), the second was \$40,000.00 on (Date) each

quarter, and a third is scheduled for (date), and is projected to be approximately \$40,000.00.

- ✓ The “Agreement” calls for a review of “Employee’s performance and may adjust, by mutual agreement, the base salary hereunder.” Upon each anniversary of employment. Para-3. Salary on page one (1) of the Employment Agreement. (Date) is the two (2) year anniversary target.
- ✓ The “Agreement” calls for automatic renewal of one (1) year terms, and states that; “On or prior to (date) Employee shall be considered for shareholder status in the Corporation and notified as to whether or not shareholder status will be offered to Employee at the end of the initial term.....” which is (Date). It was contemplated that the Employee could be considered for shareholder status in approximately eighteen (18) months into the Agreement term.
- ✓ Dr. Employee was presented with a “buy-in” package prior to (Date). The asset/share value was not included, as this information is currently being calculated by the accountants and will be forthcoming by years end, but no later than (Date). Assuming the “parties” are able to work through the appropriate issues, and the Partners’ agree to offer the Employee “shareholder status”, and the Employee elects to pursue the “shareholder status”, the plan would be to do so at the end of the initial term (Date)
- ✓ The “Agreement” calls for the Employee, during the term of his employment to “in addition to performing his duties as a physician and as a condition to any offer of shareholder status, will be expected to become successfully engaged, as requested, with the business management of the Corporation, to participate in community organizations with the aim of marketing the Corporation’s services, to increase the volume of his own practice and the practices of other physicians employed by the Corporation, to work effectively and harmoniously with staff and other physicians in the community, to demonstrate his willingness to put the best interests of the Corporation above his own self interest, and to otherwise demonstrate his work ethic and compatibility with the other shareholders.” Cited in Para-5. Term of Agreement, page two (2) of the Employment Agreement.

3- Discussion of Employee’s “compatibility” and working “effectively and harmoniously with staff” issues.

- ✓ The parties recognize that there is usually an adjustment period in which the parties must learn what each others needs are and how to meet them to the benefit of “both” parties, and to ultimately serve the “greater cause and needs” of the Corporation, and its’ mission, while never compromising the care of the patient. This is absolutely critical in a group practice setting in which there are multiple physicians competing for finite resources. There has to be a “team”

approach, which obligates everyone in the Corporation to be a team player!

- ✓ Recognizing that offering solutions, rather than just bringing problems is a very essential and equally important characteristic of being a team player and being compatible.
- ✓ Showing sincere appreciation to support staff and administration for their important contributions, leading by example, offering solutions rather than just pointing out problems, being patient and exercising tolerance as team members learn their roles and responsibilities, and providing needed leadership as a very important and key professional member of the Corporation's team is what "compatibility", and working "effectively and harmoniously with the staff" is all about! In working towards this goal, the employee must look for ways to present things in a non-offensive fashion. The employee physician must recognize that they are working with other physicians and staff that have their own views, interests, challenges, and issues that have to be accommodated for equally to those of the employee physician. This requires compromise, seeing the big picture, recognizing that things are not always perfect...things do go wrong, things break, and not everyone on the team can always see it as you see it. This all describes the concept of working as a team, and being a team player.
- ✓ Assuming these issues can continue to improve and be effectively dealt with; it is the intent of the Partners' to offer shareholder status as called for in the "Agreement".

Recommendation

- ✓ Let's now talk openly about these issues of compatibility, and agree on a plan to address these issues effectively so that we can proceed to "shareholder status", leading to a Partnership as of the end of the initial term (Date). It is abundantly clear that this relationship has a significant and mutually beneficial value to the parties and deserves this commitment.
- ✓ We will meet again in ninety (90) days, (on or about Date) and determine if we should plan to proceed. In the meantime we will continue to discuss the points of the Shareholder Agreement and companion documents. We will provide the financial elements necessary to fully evaluate the buy-in, once we have completed this ninety (90) day commitment to meet the terms of Para 5 provisions calling for the Employee "to work effectively and harmoniously with staff and other physicians in the community, to demonstrate his willingness to put the best interests of the Corporation above his own self interest, and to otherwise demonstrate his work ethic and compatibility with the other shareholders." We will continue to discuss issues that relate to the Para 5 provisions, in an effort to keep Employee aware of progress being made.

- ✓ Is it agreed that we are both committed to accomplish this objective? If so, the parties should so indicate by signing below.

Dr. Employee, M.D.

_____ Date: _____

Dr. Owner, M.D. M.D.

_____ Date: _____

(END OF MEETING NOTE EXAMPLE)

Summary

These meetings should be scheduled quarterly, but may take place at any time depending on the situation. You may want to schedule a supplement meeting when there are positive accomplishments met just to reinforce the fact that progress is being made. The converse is true as well. It is important not to let issues go unaddressed. You will find that these steps will better prepare you for meeting the deadline for physician buy-in, and eliminate many of the issues that can cause costly delays, hard feelings and maybe even prevent the buy-in from taking place. A third party can often facilitate this process to assure that the lines of communication are open and frank. It can make the critical difference in getting the buy-in successfully completed.

A Vision for Success

The most successful people in any field know when to ask for help. When the issues at stake are significant in scope, have serious consequences, and fall outside your comfort level, it's time to call in a specialist in the field. A consultant may be able to offer you just the help you need.

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