Employee Physicians' becoming Partners in Medical Practice
A plan for success

Most employee physicians when joining a practice expect to become partners within the first few years, unless it was clearly defined as an employer/employee relationship. In many cases the employment agreement will have some language relating to a future buy-in. In the minority of cases the employment agreement will contain very specific language relating to becoming a partner. Most employment agreements have time-frame language but lack specific details. Even if the employment agreement was not written with a specific and detailed commitment, it is generally expected that a buy-in will be part of the many major steps in a long term relationship. In many cases, the buy-in to partnership is often delayed, overlooked, or even worse it breaks down either at the point negotiations begin, or well into the process. Usually at this point significant dollars may have been spent on accounting and legal fees. There are many reasons for the process to fail. The following is a list of the more common reasons a practice is unable to acquire a partner.

1) Lack of understanding as to the process

Bringing the first physician into partnership is usually the most difficult. It is a new experience for both parties. It takes a fair valuation, an open mind, careful negotiations, an involved commitment to the process, a genuine interest on each side, and a level of sensitivity, and generally willingness to compromise.

2) Inability to establish a clear and understandable value

The failure to have an established value and reasonable terms puts a road block in the process. This usually leads to a more protracted and costly process. Each party tends to back track and have to engage accountants, attorneys, and other business advisers.

3) Incompatibility, often not apparent until negotiations begin

If there are issues of compatibility between the parties, and it hasn't been addressed and resolved earlier in the relationship, it will usually surface at this time. Compatibility differences get entangled in the buy-in process and can lead to a vituperative harangue between the parties and make the process a very negative experience. Resolve differences before initiating the buy-in process.

4) Fear of losing control on the part of existing partners

Well established practices with one or two founding partners can feel that having another partner in the practice they built may lead to loss of control.

This is especially true in practices in which the owner physician has been making all of the decisions for many years. Relinquishing some control and being open to new ideas and shared leadership can be very advantageous to the successful future of the practice.

5) Unreasonable expectations on one or both sides

Owner physicians obviously put a lot of resources into the development of their practices. This not only includes a personal financial commitment, but their technical skills which have been honed over many years, and the goodwill they create. There is also the creativity and emotional component that these physicians feel have significant value. While it is true that the success of the practice would not have been possible without these contributions, the reality is that they have less importance in the true current value of the practice. A fair valuation of the practice has to be the cornerstone for buy-in negotiations.

6) Improper advice from advisors, consultants, and others

This can lead to unrealistic expectations on the part of both the seller and buyer. These expectations must be tempered by reality, as well as a willingness by the parties to make compromises. The central figures in this process must be the buyer and seller. Allowing advisers to develop independent opinions and have unlimited authority in the process can lead to a stalemate. The ultimate decisions and outcome depends on the buyer and seller taking ownership in the process.

7) Wrong approach

Stepping back and not taking an active and committed role in the process can lead to the wrong decisions being made. The parties if they are to become partners know best what they must have to make the partnership successful. They must interact directly often can benefit from having a third party facilitator who has experience with the process and has the best interest of the practice as their guiding principle.

Bringing a new partner into a practice is one of the more significant events in the life of the practice. This is especially true when the employed physician has been a productive part of the practice's success. Retaining a productive employed physician may make the difference between the practice maintaining its present and future value. It is also a very important part of any succession plan for the senior partners.

In summary, there are a number of key requirements leading to successfully completing a buy-in transaction. The owner/founder must lead the process and consider the following:

1) Expect a fair price based on a fair valuation
2) Be directly involved
3) Do not rely on others more than yourself
4) Resolve issues of incompatibility before engaging in the process
5) Be realistic, open-minded, and willing to compromise for the good of the practice
6) Recognize and acknowledge the value of retaining a productive contributor and be sure to consider the alternative
7) Negotiate in good faith
8) Leave emotion out of the process
9) Hiring another employee unknown to you to replace the physician should the buy-in fail is risky and costly
10) Remember that the next buy-in will be easier if you succeed with this one

The employed physician must consider the following:

1) Expect to pay a fair price even though you have contributed and always remember you were hired and paid to contribute
2) Understand that if you were the seller you would believe the value to be greater
3) While emotion should not be a part of the sellers mind-set, understand that it often is
4) Be sensitive to the seller's fear of loss of control
5) Don't over rely on advisors, ultimately you know better from years of involvement whether the buy-in is right for you
6) Do not negotiate in a vacuum
7) Engage the owner in open dialogue
8) Negotiate in good faith
9) Don't over-value your contributions and worth
10) Starting over is tough

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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