

Group Practice: Remember Realities When Forming Large Groups

[Randy Bauman comments: I had gotten a call from then-publisher, Leif Beck, who said he only had one question: "How are you merging multiple practices and forming these large groups while everybody else only talks about it?" The question left me with a slight hesitation. I sat down and dictated the reasons. Forming a large group isn't as popular as it was back in the 90's, but the reasons for doing so and the success that can be achieved is even greater now than what it was then. Failed merger attempts became one of the major stories in our business in the 90's, but we're proud to say that groups we put together not only survived, but flourished and are still in existence today. To be sure, it isn't easy to either put them together or for them to find success and, of course, success is what we wish for all of our clients.]

The following is a transcription of an article originally published in the October 1997 issue of *The Physician's Advisory*, as written by the publisher.

For starters, understand there are no guarantees. And beware of those who want to see you fail. As for the most important advice . . .

Health care consultants dream of merging small practices into a large multi-specialty "supergroup." Randy Bauman and his Nashville-based firm* have actually done it a number of times, so we take seriously what he calls the "realities of joining together." Here are his ten doses of reality. We think they go hand-in-hand with the most important point, which appears in the sidebar.

1. Recognize that there are no guarantees.

Your success as a new group will be in its members' collective ability to execute the business plan and to make adjustments along the way. If you want guarantees, Bauman suggests selling you practice and going to work for a salary.

2. Don't allow for easy divorce. One of the first questions doctors considering merger ask is, "How do I get out?" While that question needs to be answered, Bauman prefers making it difficult to pull out for at least two years. That should be sufficient time to force members to work at resolving their differences.

If it is too easy to walk away when the going gets tough, some will. By making it difficult, you make sure there is a glue holding the group together. It forces the participants to be serious before they join.

3. Groups are not for everyone. Group practice requires compromises and sacrifices for the sake of the group. Bauman says physicians

uncomfortable with this reality must recognize that they're better off staying out.

4. Put yourself in the future. Group practice is a drastic change from small private practice. You will not make decisions for yourself and you may disagree with your colleagues on issues. You may not be on the governing board or have a formal say. Can you live with that?

Bauman urges asking yourself these two questions:

Do I want to be partners with these peers and colleagues?

Do I believe that we will be able to collectively put aside our self-interest and make decisions for the sake of the group?

5. Understand pro forma realities. A new group will likely see an initial increase in costs as it hires top management talent and buys computer systems necessary for managing care. While new revenues sources may offset the jump in overhead, this is by no means guaranteed.

Make sure prospective members understand the realities of both the higher costs and the hoped-for opportunities, says Bauman. They require a business plan, capital investments and, most importantly, good execution. "Remember, new groups always find sources of new overhead; the key is to find new sources of revenue."

6. See your future. Go on one or two visits, but don't meet with groups that have been in existence for a long time. Their histories are not likely to be relevant to yours. Rather, visit a couple of groups in similar situations – ones that have dealt with the same issues you will face.

Go with a list of written questions, and take the time to understand their perspective. "It's not just how others resolved an issue, it's why as well."

7. Don't waste time on what won't work. Physicians often want to fully integrate all revenue and overhead right away, but such a leap may not be practical. "Becoming a true group practice is an evolutionary process. Over time, trust will develop and solidify so the group can move toward more integration, but don't push it too hard early on."

Thus Bauman prefers introducing new strategies incrementally, avoiding what will not yet work no matter how lofty the goal. "Sometimes you can't get there from here, so take some shorter steps along the way."

8. Know what you want to be. Though many groups develop a mission or vision statement early on, initial visions are naturally somewhat vague. It is difficult to get specific while the new organization's ultimate composition and size are still in doubt. But Bauman warns that, "once you have set the effective date and hired new management, you better have a list of at least three to five business strategies with a tight timetable for execution."

9. Beware of the "unwinder." Remember that many parties have a vested interest in your merger efforts failing. They may include your competitors, the local hospital and even your accountants and lawyers who may stand to lose business as a result. You manager or administrator may also posture for failure out of uncertainty over personally changing job descriptions and reporting lines. And don't overlook other members around the table who really do not want to be part of the larger group, but don't want to be left out either.

10. Don't skimp on cost. Though Bauman knows it sounds self-serving, he is struck by the number of groups who have tried to go it alone without experienced and independent advisors serving as facilitators. You need someone who will not be a "yes man" – someone willing to tell it like it is. That includes telling some parties not to go forward because of cultural and other issues. "Is your practice's future – indeed, your own future—something you want to skimp on?"

[published as a sidebar in the original article:]

Personal Trust and Respect are Paramount

The ten realities listed in the accompanying main article are extremely important, but consultant Randy Bauman (and we) know that ultimate success or failure depends on overriding personal issues. Here is how Bauman describes it: "Almost always, we find that the ultimate decision does not really come from answering the objective questions and working through the issues.

"Rather, doctors decide by gaining a comfort level with their future partners by spending inordinate amounts of time with them in meetings, getting to know them outside the clinical setting, and experiencing the camaraderie of believing that they will be better off together than separately.

"As Rudyard Kipling said, 'The strength of the pack is in the wolf, and the strength of the wolf is in the pack.'"