



ACCOUNTANTS & ADVISORS

ADVISING PHYSICIAN CLIENTS REGARDING THE DECISION TO BE ACQUIRED

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Many physicians wonder if they should be part of a larger group, such as a hospital or multi-specialty practice group. It is common for small groups and solo practitioners, in certain specialties, to be approached by large health care organizations to consider selling their practice and becoming an employee.

There are both positive and negative points to selling a practice, and the physician needs to consider the following:

NEGATIVES:

1. Loss of independence
2. Culture of new organization (could be positive or negative)
3. Losing the ability to make practice management decisions
4. May not like employer's management
5. Employer contract may be short term
6. May lose some incentive for productivity since the physician no longer owns the practice

POSITIVES:

1. May have enhanced salary and performance incentives
2. Released from billing and collection responsibilities
3. Released from having to set up and maintain office compliance (HIPAA and other)
4. Released from having to make required IT investments and pay for staff training
5. Transfer lower reimbursement and higher cost risks to buyer
6. May have enhanced camaraderie and cross-referral opportunities in larger organization

In some medical specialties, there has not been as much acquisition activity (such as in ophthalmology). If a physician or small group is able to keep up with the information technology demands, such as electronic medical records, e-prescribing, and new coding requirements (coming in October 2015), and can stay compliant with HIPAA

and other HR matters, then the practice would not be as incentivized to enter into a transaction with a larger group or hospital. There are still numerous financially healthy physician practices.

It is my estimate that in the next five to seven years, the industry will better understand the long term viability of many of these mergers and acquisitions that have occurred (and are still occurring). In advising our physician clients as to whether a sale or merger is the right decision, it is ultimately a personal decision. If a physician is already financially doing well, it may be a matter of whether the physician would prefer to remain independent or to be employed and be released from the current demands outlined above.

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