

## What To Ask Before You Join A Medical Practice

When evaluating whether to join a practice, there are at least four aspects of the practice that need to be considered during the initial telephone interviews and/or site visit. These are: the practice's mission statement, the practice's operations, its financial situation and the practice owner's plans for future growth.

**Mission statement.** Asking about the practice's mission statement might sound corny. But a well-thought-out and written mission statement reflects the values of the practice owners. The alignment of values is a critical element to the success of a business relationship, whether you are an employee or a co-owner.

It's not that one practice's mission is better or worse than another's. Rather, the consideration is whether the values on which the practice you are looking at is based coincide with your own personal and professional beliefs.

Individual and group meetings with the practice owners, employed physicians and key management personnel also will help you make this determination.

If the practice passes this test, then you are ready to move forward with the process.

**Operations.** There are several aspects of the practice's operations to consider, such as customer (patient and employee) relations, process efficiencies and use of technology, to name a few. Some of this information may be gathered through observation, while others might require interviewing staff and other methods of inquiry.

Once in the office, take a look around at the organization and patient flow. Look for indications of privacy and security efforts, tidiness, respectful communication among staff and other signs.

When meeting with the administrator and physicians, there are several topics that should be addressed. Some of these include:

- Who comprises the board of directors, and what are their responsibilities with respect to the operations of the practice?
- Is there an office manager or administrator? What are her or his responsibilities?
- Is each physician assigned a medical assistant/nurse or is there a shared pool?
- How are hospital rounds handled by the practice?
- What is the call schedule?
- Does the practice have electronic medical records?
- Is billing done internally or is it outsourced?
- Who does transcription?
- What appointment scheduling method is used? How are new patients assigned?

This is a starting point. There most likely will be many questions that follow. It is important to obtain as much information as possible about the practice operations before making a decision to move forward.

**Finances.** This information might be difficult to obtain, especially if you and the prospective practice are still in the courting stage. However, we encourage you to look at this information before making any employment decisions.

Specifically, you should ask to see the accounts receivable information and financial statements for the past two years.

From the accounts receivable information you will learn about the productivity and revenue side of the practice -- specifically, numbers of procedures performed, related charges, collections and adjustments. The collection ratios will give you an indication of how well the billing department is collecting on services provided. The total accounts receivable and A/R ratio will tell you the total charges that are awaiting payment and the average number of days an account remains unpaid.

It is important to identify and compare the payer mix -- based on revenue -- to the percent of the accounts receivable represented by the payer.

If one payer represents 20% of the practice's revenue and 40% of the accounts receivable, this may be an indication that the particular payer is slow to reimburse. This should require further inquiries about the related contracts and billing/collection process.

The financial statements provide critical information related to the profitability of the practice. Key indicators to consider on the income and expense reports are the overhead expense ratio, as well as those associated with larger expense items such as salaries, billing and medical supplies.

It is also helpful to see how expenses are allocated in terms of overhead versus direct physician expenses.

The balance sheet is a statement that shows the financial health of the practice based on the amount of assets, liabilities and owner's equity at a single point in time. Analysis of balance sheet accounts indicates the liquidity of the practice, the amount of debt it has and how much residual interest the owners have in the practice.

If accounting is not your forte, then you may want to involve an accountant who can interpret the findings for you.

**Future of the practice.** The future of the practice and your particular role are typically based on objective and subjective factors. During your research and interview process, it is advisable to look at the community and patient demographics, such as the number of physicians of the same specialty in the area, the physician-to-patient ratio of the area, the number of patients in the practice and referral sources. This will help you determine the practice's revenue potential and your income potential.

Find out if the physician owners are interested in growing the practice and by what means, including expansion of services or additional locations. Do they have a three-to-five-year plan?

Also, ask them about the role they want you to play in this growth. Can you participate as an employee, or do you need to wait until you obtain an equity position? How long will it take for you to get there?

*Source: American Medical Association*