



WHITE PAPER

## Six Key Areas for Successful Physician Partnerships

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Physician partnerships require much pre-planning, careful structuring, and a whole lot of continued communication in order for them to be successful. I am often asked to help a practice facilitate the undertaking of physician partnerships. It is certainly not a process that should be rushed through nor taken lightly and my recommendation is to be both thorough and methodical throughout the process — from due diligence to drafting documents to communications during future partner meetings.

Here are the six areas I recommend examining in great detail when undertaking the process of beginning and nurturing physician partnerships.

**1. Consider structure.** One of the first areas to consider is the practice structure; both how it is currently configured as well as potential future arrangements. How many locations are involved? What types of treatment services are offered at each location? Is the equipment leased, owned outright, or being paid for? Are the buildings owned or rented? Who are the current owners? Is this a family-owned practice (any nepotism)? Are there any joint ventures with hospitals? Are there any medical directorships with other facilities?

**2. Current owner(s).** The current physician owner (or owners) needs an internal perspective to see what impact adding a physician partner would make. Similar to deciding to get married, the end result (albeit good) will certainly not be the same as the current situation. What does the current owner want in a partner (financially, operationally, and strategically)? Is there an exit strategy for the current owner? Have there been any discussions with the potential partner about partnership?

**3. Potential partner.** The physician being considered for partnership needs to have a stake in this interest as well. Oftentimes I see a practice that greatly values what a physician brings but fails to consider what this same physician may want out of a partnership. What does he want out of the partnership arrangement (financially, operationally, and strategically)? Keep in mind also that it is perfectly reasonable for a physician to ask how much he will be paid in the first year and in subsequent years.

**4. Creating the partnership.** After the first three areas have been fully vetted and accomplished, it is time to consider how the partnership should be structured. Is there to be a buy-in? Is the real estate included? Are all assets part of the partnership? Is a formal valuation necessary? What is the voting structure? What are the governance documents to look like? Is there a buy-out?

**5. Delivering the partnership offering.** If careful consideration has been given to the first four areas, then there should not be much material disagreement with the offering. It should be more of a matter of understanding the terms and if necessary, some tweaks of the legal language in the documents. This period, however, is the heightened point of sensitivity for all parties, so patience, calm, and understanding are characteristics that would serve well for those involved. This is not the time for any appearance of an "us versus them" atmosphere.

**6. Ongoing communications.** Perhaps the most important item is what transpires after executing the physician partnership agreement. Now that a new partner is on board, she has a say in how the practice operates, what marketing messages look like, who is and isn't hired, etc. This means treating the new physician on equal ground with the senior partners in many situations, including new patient referrals. A new partner will also need to be brought up to speed with financial and operational metrics, as well as any business ventures. Consequently, meetings should harbor a considerate tone as the new partner is trying to learn. Furthermore, a junior partner should not bear the brunt of the work and receive low compensation from the practice. My recommendation is to stick to regularly scheduled meetings (quarterly or monthly) where business is discussed and all partners have the opportunity to have their voice heard.

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