

CURRENT CIRCULATION: 7014  
DATE: 9th February 2007

ISSUE NO: 139

Welcome to Health & Life's free email newsletter service. Tell a friend that we would be happy to add their email address to the distribution list. This service is to provide Health and Life's clients and those who attended our presentations with up to date information on key financial and practice management issues that may affect your practice. Please do not use this as a substitute to seeking professional advice.

Writer in charge: **Mr David Dahm BA.Acc, FCPA, FTIA, Ffin, FAAPM, GLFG.**

## Succession Planning Part II - How Not to Screw it Up!

This is the second part of a two part series on successful succession planning in your practice. The second part is a practical how to guide on key steps your practice can take. The bottom line is if you are having recruitment and retention problems these are some positive key steps that can immediately improve your situation.

### Part I

#### 1. Problem: *The majority of practice owners will retire or semi-retire in 10-15 years*

"Are you leaving yourself a legacy or a liability?"

#### 2. Change your Attitude – understand how your practice makes money

*Practice Tip – Realistically understand what your practice is worth?*

*Practice Tip – Get rid of the common ownership myths?*

#### 3. First Impressions are critical

1. Mentoring New Owners
2. Keep the Vision Real
3. Show me the money and put it in writing!

### Part II

#### 4. So where do you go to from here?

1. Assess whether succession planning is important to you

2. Establish a Compelling Vision for your practice – one that everyone can understand and that will inspire others!
3. Establish a Strong Strategy
4. Establish Good Systems and Procedures
5. Get Good Staff and Make them More Productive
6. Use an Elevator Pitch and be Open to Negotiations
7. What if I am a Solo Practitioner or a Solo Rural Practitioner?
8. Get Good Quality Advice

## Succession Planning Part II - How Not to Screw it Up!

### 4. So where do you go to from here?

#### 1. Assess whether succession planning is important to you

If succession planning is important make it a key priority in the next 3 months to do something about it, look at what barriers your practice have as they may discourage practitioners from joining your practice. Remember it is a process and not an event. If you decided today it will make an immediate difference on how you feel about your practice and open the practice up to new opportunities.

#### 2. Establish a Compelling Vision for your practice – one that everyone can understand and that will inspire others!

Explain and decide for yourself and others where you want to be in 5 years.

For example, you would like to add 3 more new doctors and allied health with a turnover of \$2 million per annum with 5 consulting rooms plus allied health services.

Make sure this meets each of the existing owner's individual and personal lifestyles – it is not always about the money and their personal commitment to this vision is critical. You can't run if everyone else wants to walk.

Why is vision important? Think about it, you would never get into a car without mapping out your journey first. A simple example of setting a vision would be to decide to travel from Perth to Sydney. A goal would be to do it in 6 days?

Without this plan, would be like getting into a car and putting it into a neutral gear with your foot flat on the accelerator. You may think you are making good headway but in fact going nowhere and burning yourself out. This sounds ridiculous but many practice owners go to work each day doing exactly this.

Many are just happy to see the next patient regardless of what progress is being made for themselves or the practice.

The traditional way of practicing medicine or healthcare is not very attractive to the new generation of practitioners. It is focused on the medical (me) model and not the collaborative (we) model. Integrated and multi-disciplinary care with an external collaborative approach with government agencies and hospitals is the future – just look at how future remuneration is being structured through Practice Incentive Payments and private health insurance rebates rules.

Working in alliance with your competitors and complementary services has more appeal than working in isolation. Single branding of services and the co-location of services is a future that embraces patient and practitioner needs. The co-location of pharmacy services with attractive rents for larger GP group practices is a very attractive model that large practices are currently embracing.

It is important to future proof the practice from patient demands and ensure your practice remains sustainable.

***The Australian dream is to own your own home and to own a business that makes you money while you sleep.*** The healthcare sector is the best it has ever been for this to happen – it should be a criminal offence if you fail, all it requires is a bit of imagination and commitment. This is a message that should be shared with your colleagues.

One of our clients has been extremely successful in recruiting overseas doctors in Geraldton WA. They have effectively used their website to sell the story of their practice in pictures including embracing the local community. This is an excellent example of setting a powerful vision for others to follow. Visit them at [www.gmgn.com.au](http://www.gmgn.com.au).

### **3. Establish a Strong Strategy**

Now we are getting to the nuts and bolts. After defining your “vision” i.e. the parameters and capability of your practices growth, you are in a position to set financial and non-financial benchmarks for your practice and a practice plan on how to achieve your goals within a set time frame, let's say in the next 5 years.

More importantly, you are now in a position to clearly articulate your position with your existing owner/practitioners and staff and external stakeholders and not waste time on ambit opportunities.

Examples of benchmarks may include:

1. Build a new purpose built facility within 5 years;
2. Attract new tenants;
3. Admit 2 new owners;
4. Improve practice profitability by 5% each year; and
5. Restructure the practice to encourage more practice infrastructure investment and succession planning.

In business these are commonly referred to as Key Performance Indicators or “KPI’s”.

These KPI’s are very important. Going back to our car analogy, your dashboard and GPS lets you know how you are going without you having to take your mind off the road ahead or your ultimate destination. A written practice plan (this can be no more than 2 pages long) can achieve this same outcome. Remember it is a journey and not a race and you want to know you are still on track. This document becomes important when show casing the practice to a potential incumbent.

Note: We can assist your practice with industry and best practice benchmarking or practice plan if you are not sure where to start. This service is at no charge for our accounting clients.

#### **4. Establish Good Systems and Procedures**

Once you have established your KPI's it is important to set up your practice systems and procedures so your practice staff can effectively measure and monitor your progress while you continue to still see patients or you spend time with your family and friends.

Good systems allow you to delegate and reduces work force burnout. Once again it gives confidence to the new owners that the practice is well run. After all this is why they are paying you the big bucks to buy in. You should be able to show them your systems and procedures including practice documentation. This allows them to compare your practice to others that may not be as up to speed. This also removes the perceived nightmare that owning and running a practice can be if it is not well organised.

#### **5. Get Good Staff and Make them More Productive**

The clearer your vision, KPI's and your systems and procedures the more efficient and effective your staff will become. This makes your practice more viable and financially more attractive to potential buyers. This will give confidence to your staff and it is something a potential buyer can sense and experience when they interact with your practice staff.

#### **6. Use an Elevator Pitch and be Open to Negotiations**

Make clear in your mind what makes your practice so attractive from the others. Sell the practices future and practice viability. Ask does it stand up to the buyers critics both in financial and emotional terms? Is it easily understood? Do not present financial statements that do not clearly show a successful business or business case. You should not have to be a qualified accountant to understand the figures.

Invest time and resources in preparing a written business case that is professionally and financially attractive and flexible. Offer vendor finance such as delaying a profit share for three years to repay the value of the practice. Don't impose your work ethic on others; it is better to have 10% of something than 100% of nothing. Make sure you get Director guarantees and agreements in writing upfront.

#### ***The 30 second telephone pitch***

Clients that have been properly restructured pitch to potential recruits that the practice immediate benefits include better asset protection, reducing tax, providing a good return on investment and most important it is a family friendly practice. Ownership offers them the opportunity to earn money smarter and not harder as well as participate in management decisions. They earn money on a linear basis for example for every dollar they bill they can earn an additional 1.5 through profit sharing without any extra personal effort. It is not just based on "eat what you kill". Having to be at work from 9am to 5 pm Mon to Friday is not mandatory. When they are playing golf or with the family there is always a cheque in the mail. By structuring their personal affairs correctly they can pay less tax than their current arrangement and reducing their litigation risk. So it is a eat well sleep well story because the practice has done all the hard yard.

At this point the decision is left up to the potential recruit to make the next move. This is how to create a point of difference in the recruitment market. Can your practice offer this?

Contact us for more information on how we can assist you in presenting this information.

***Don't overlook the obvious; your employee or contractor practitioners are more likely to buy an interest in your practice that is affordable.*** They like to be asked. They may not all join at first; however once you recruit one young doctor it gives confidence to other doctors holding out to join. Most take it as a complement and recognition of their commitment to your practice. Both female and male practitioners are interested in ownership; do not fall for the stereotypes. The bottom line is if you have your business model right, practice ownership is about working smarter and not harder.

The best way to recruit is at professional meetings and by networking or becoming a training practice. Healthcare is personal and the personal touch is what makes the difference.

Overseas doctors will also be a key source of owner practitioners in the future as the immigration laws are relaxed to accommodate the shortage. It is important to have good agreements that lock in overseas doctors so they do not leave after performing their minimum term. You can purchase template agreements that prevent this problem.

## **7. What if I am a Solo Practitioner or a Solo Rural Practitioner?**

If you are a solo GP consider the opportunities for amalgamation with a competing practice, or encouraging more practitioners to join your practice and be more flexible. Make sure a good practice agreement is signed up front. Contact us about purchasing our template agreements.

Solo rural practitioners should consider a collaborative approach with the local hospital or healthcare agencies such as co-location. We understand sometimes local hospital politics can mess up a good thing but it is worth a try. Make sure all deals are put in writing and get good advice from people experienced with these types of negotiations. We can assist with this if required.

The reality is the future for rural practice is with overseas doctors and there are many opportunities to get them to sign up before they arrive in Australia for them to join your practice. We have done this where we have a number overseas GP's giving written undertakings to purchase part or all of the practice prior to their arrival. This is the best way to screen them so neither party is left disappointed.

## **8. Get Good Quality Advice**

If you are not sure what to do next, get good advice. Call us on 1800 077 222, we are happy to receive any feedback or questions and will provide a free initial telephone consult.

We also sell template practice agreements, provider contracts and succession planning models including sale purchase agreements. This will help you stop re-inventing the wheel and help you start a new sales pitch for your practice, even before you restructure. There is no need to wait.

**Which topics would you like to be covered?**

If there is a particular topic that you would like covered in one of our future News Alerts, please email [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au) and let us know what it is. We will then endeavor to cover your requested topic.

**Do we have your email address?**

It is apparent in feedback we are receiving that there are persons receiving this regular email who are not on our email list. If you are receiving this email 'second-hand' from another source, we would be delighted to receive your email address and we will add you to our database so that you can receive it first-hand on the day it is sent. This invitation is open to all Practices. Please send your email address to [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au).

**Do you wish to unsubscribe from our list?**

Please email [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au) if you wish to be removed from our distribution list.

*Copyright Notice 2007*

*This email, including any attachments, is for the personal use of the recipient(s) only. Republication and re-dissemination, including posting to news groups or web pages, is strictly prohibited without the express prior consent of Health & Life Pty Ltd.*

*Disclaimer Notice*

*Health & Life Pty Ltd's Best Practice News Alert is designed as a comprehensive and up-to-date Accounting, Practice Management and Healthcare news service to alert readers to the latest in Practice and related developments affecting the medical, dental and allied health professions as they happen. It is published when there is news to report. No responsibility can be accepted for those who act on its content without first consulting us or obtaining specific advice.*

Health and Life Pty Ltd

*Accounting, Tax, Practice Management and Healthcare Consulting Services.*

*"Looking after your future"*

National Head Office: Level 5, 108 King William St, Adelaide SA 5000

Postal Address: GPO Box 11042, Adelaide SA 5001

Telephone: 1800 077 222

Fax: 1800 077 555

Email: [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au)

Web Site: [www.healthandlife.com.au](http://www.healthandlife.com.au)

**Which topics would you like to be covered?**

If there is a particular topic that you would like covered in one of our future News Alerts, please email [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au) and let us know what it is. We will then endeavour to cover your requested topic.

**Do we have your email address?**

It is apparent in feedback we are receiving that there are persons receiving this regular email who are not on our email list. If you are receiving this email 'second-hand' from another source, we would be delighted to receive your email address and we will add you to our database so that you can receive it first-hand on the day it is sent. This invitation is open to all Medical Practices. Please send your email address to [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au).

**Do you wish to unsubscribe from our list?**

Please email [pa@healthandlife.com.au](mailto:pa@healthandlife.com.au) if you wish to be removed from our distribution list.

*Copyright Notice 2007*

*This email, including any attachments, is for the personal use of the recipient(s) only. Republication and re-dissemination, including posting to news groups or web pages, is strictly prohibited without the express prior consent of Health & Life Pty Ltd.*

*Disclaimer Notice*

*Health & Life Pty Ltd's Best Practice News Alert is designed as a comprehensive and up-to-date Accounting, Practice Management and Healthcare news service to alert readers to the latest in Practice and related developments affecting the medical, dental and allied health professions as they happen. It is published when there is news to report. No responsibility can be accepted for those who act on its content without first consulting us or obtaining specific advice.*