

When to Hire a New Provider

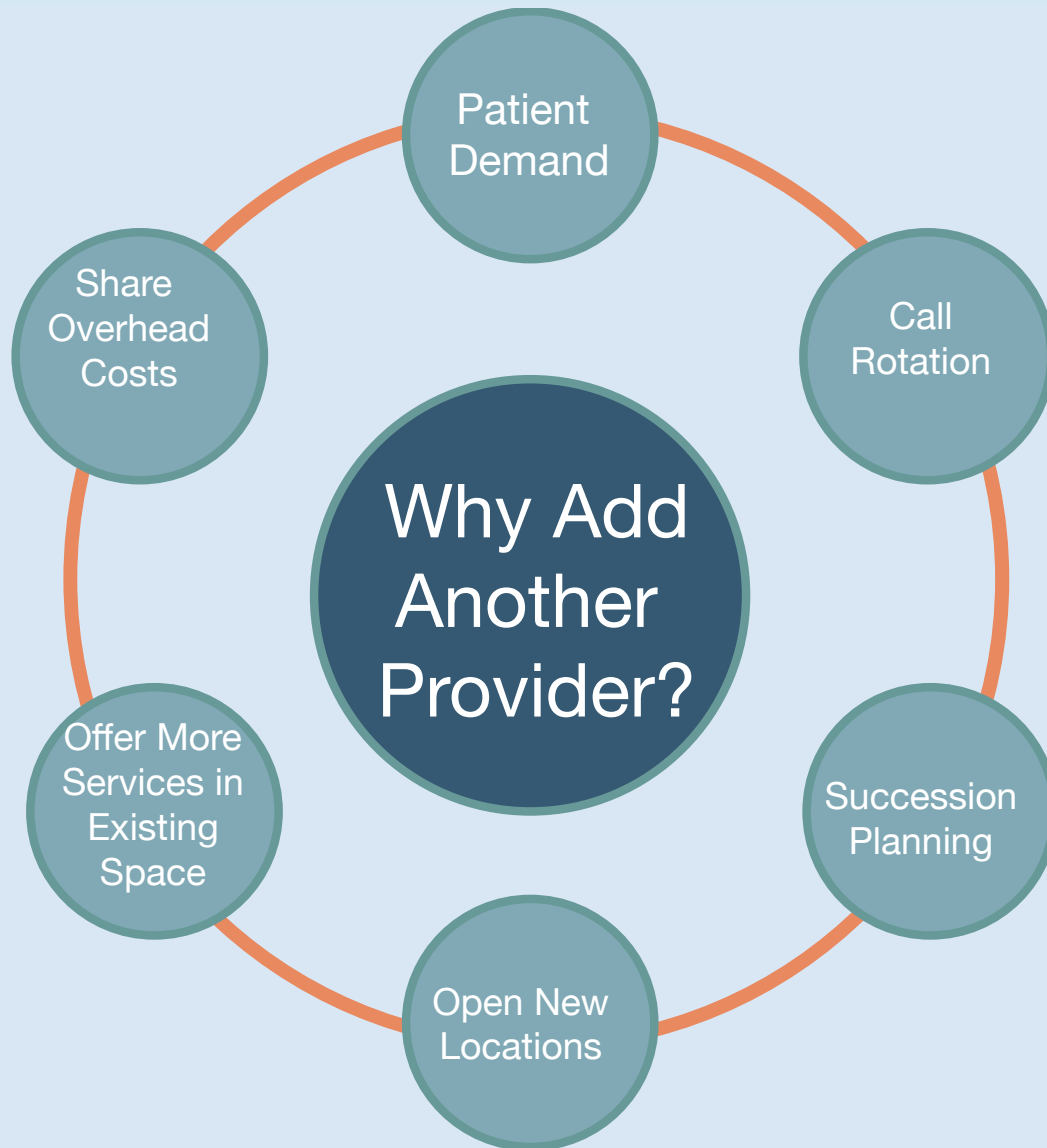
 Presented by Paul Vanchiere, MBA

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“ . . . We must first accept the fact that a pediatric practice is really a small business and must run on sound, generally accepted business principles to remain viable.”

<http://practice.aap.org/content.aspx?aid=1808>
What information you need to look at...



What is the Real Question

The question is NOT :

“ Can they
AFFORD
another
provider?

The question is :

“ Do you they
ENOUGH
BUSINESS for a
new provider?

Why another Pediatrician and not Extended Provider?
Be prepared to sell yourself...

What is the Real Question



What is the Real Question



New vs. Experienced Pediatrician*

- New - \$165,271
- Experienced - \$174,321

Worth \$9,050 difference?

- Habits
- Lifestyle
- Expectations
- Managerial Capabilities / Business Acumen
- Clinical Management of Underserved Population
- Specialty needed within practice- Neonatal coverage / Standby

Comes down to personality and practice fit

**AMGA 2013 Medical Group Compensation and Financial Survey- 2013 Report based on 2012 Data*

How Will They Support the New Provider?

Shift
Existing
Patients

Let them
Develop
Niche

Stop
Taking
New
Patients

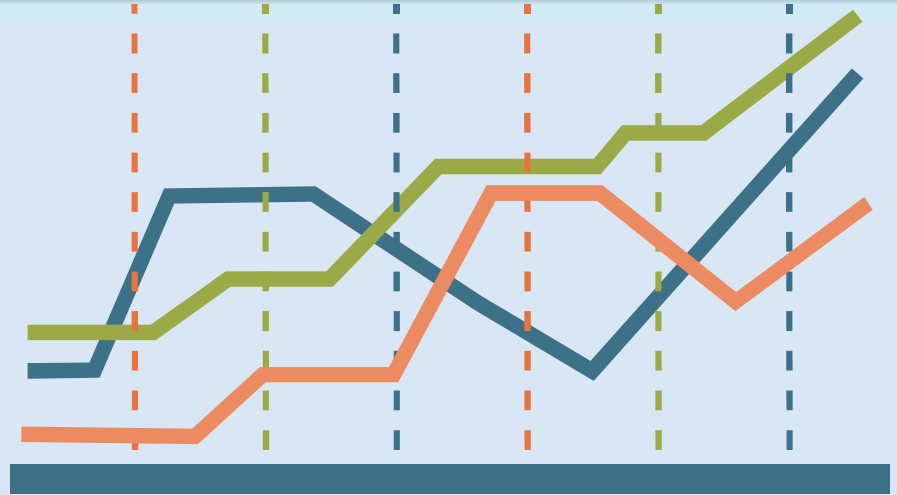
Marketing
Efforts

The Options



Financial Information

What
Financial
Information
Do They Look At?



Revenue per Encounter



Cost per Encounter

Operational Cost

Provider Cost

■ NP ■ PA ■ Pediatrician



Overhead Rate

AMGA Salary Survey Results

Pediatrician Patient Visits

	\$/V	52	02	51	51
AM	84	76	42	22	92
/Std	81				
20th	52	41	34	67	99
41	04	06	02	62	62
80th	65	62	32	93	13
90th	66	22	23	73	34
AMGA					
2017					

Revenue per Encounter



Encounter Revenue / Office Encounters

\$725,000 / 4,000
\$181.25

Cost per Encounter



Total Operating Cost / Office Encounters

\$300,000 / 4,000
\$75.00

Overhead Rate



Total Office Expense / Total Office Revenue

\$420,000 / \$750,000

56.00%

Business Volume Needed



Estimate
number of
patients
seen per
day

- Sick Visits
- Well Visits
- Hospital Rounds



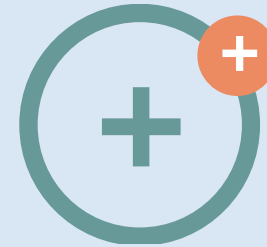
Estimate
number of
days per
year
worked



Estimate
salary
requirement



Estimate
Employer
costs



Estimate
Quality /
Production
Bonus(es)

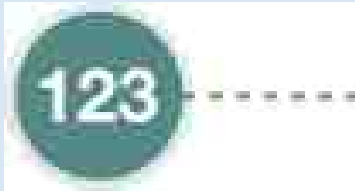


Estimate
benefit
requirement
(10 – 20%)

Run the Numbers

Days	51	02	df
Revenue	\$ 08	\$ 01	sf
Revenue	\$ 71	\$ 03	BA
Days	02	02	df
Revenue	\$ 03	\$ 06	DC
Overhead	08	08	sf
Practice Overhead	\$ 51	\$ 03	FE
Allowance	\$ 53	\$ 02	GE
Salary Provider	\$ 08	\$ 03	ys
Bonus Provider	\$ 07	\$ 02	sf
(17%) Benefits	\$ 71	\$ 03	df
Post Total	\$ 71	\$ 02	ff
Profit Practice	\$ 62	\$ 06	LH

Refining the Analysis



Number of
Patients
per Day



Recruitment Costs



Per Encounter
Profit
*Adjust to Payor
Mix*



Benefits / Bonuses



Total Revenue
*Adjust for
number of
provide days*

- Full time
- Part time



wRVU's

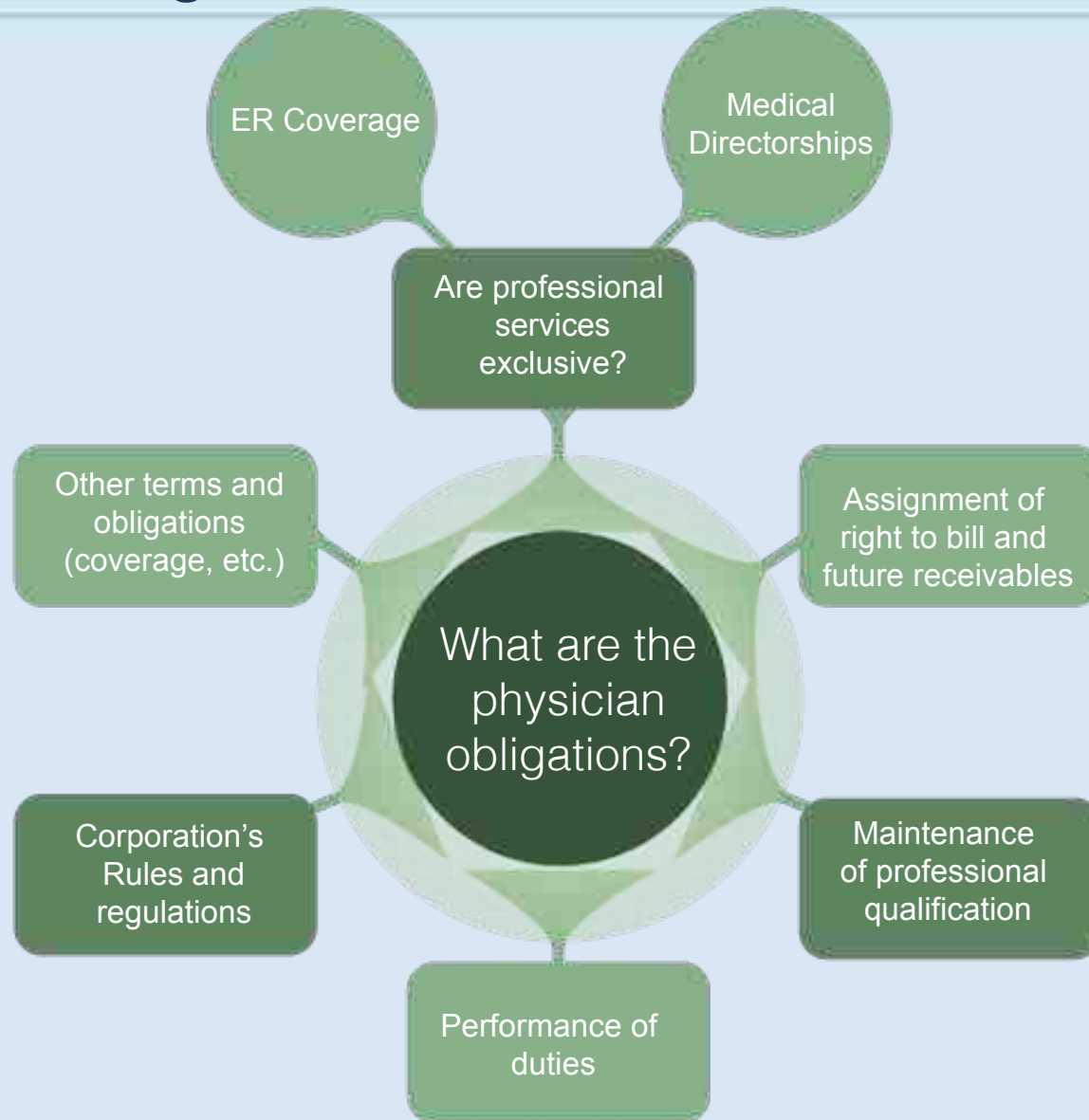
AMGA Salary Survey Results

Pediatrician Starting Salaries

	2012	2013	Variance
Mean	\$ 87,000	\$ 87,000	0%
Std Dev	\$ 13,000	\$ 13,000	
20th	\$ 70,000	\$ 70,000	0% .67%
Median	\$ 95,000	\$ 95,000	0%
80th	\$ 108,000	\$ 108,000	0%
90th	\$ 120,000	\$ 120,000	0%

AMGA A 2013 Pediatrician Compensation and Financial Survey
 2013 Report based on 2012 Data

Physician Obligations





- What is the compensation?

- Salary**

- Varies Regionally
 - Supply and Demand
 - Future Increases



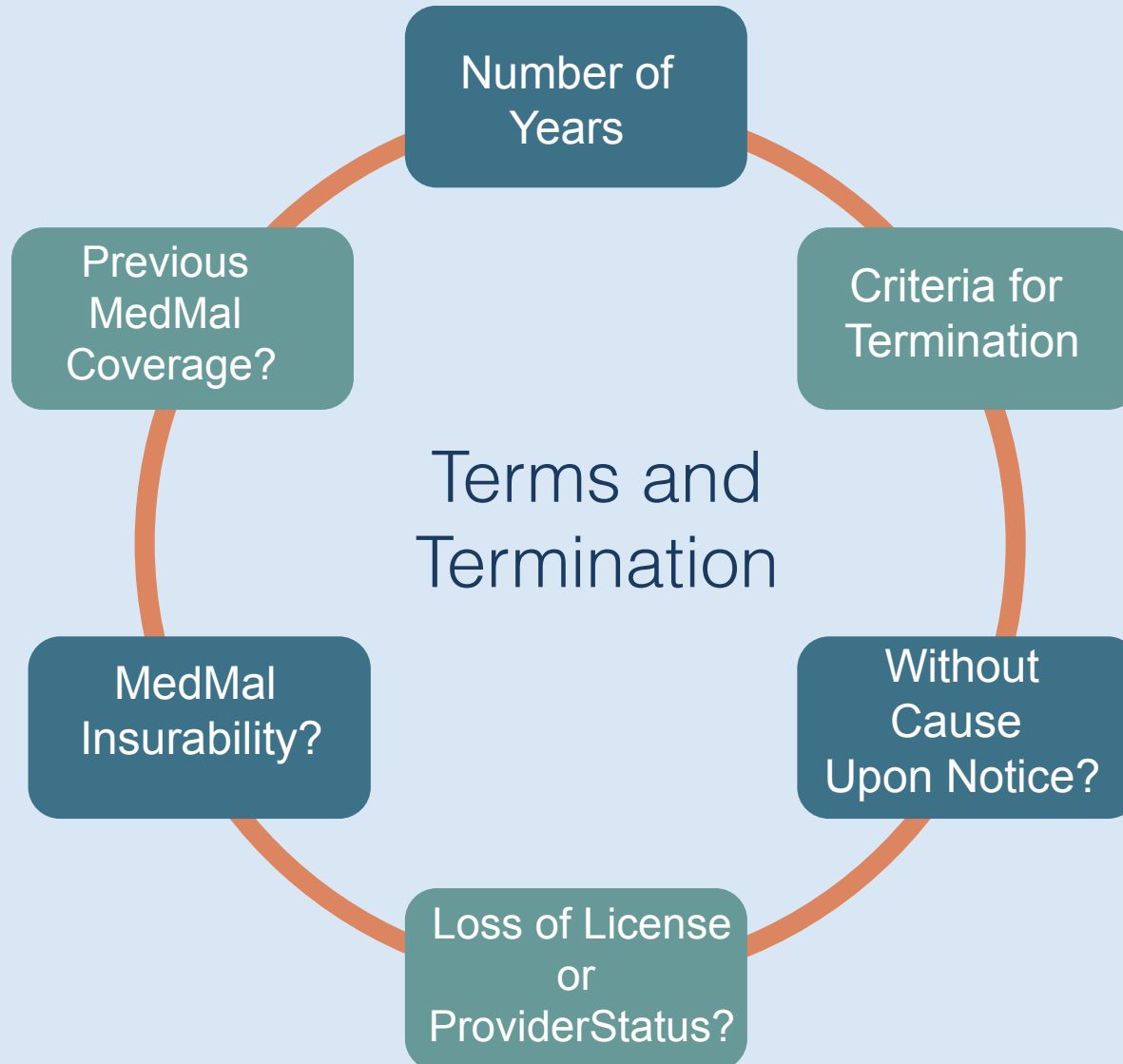
- Bonus(es)**

- Sign On Bonus
 - Retention Bonus
 - Productivity Bonus (wRVU's)
 - Quality Bonus
 - Predefined or Subjective
 - Planned or at their Discretion

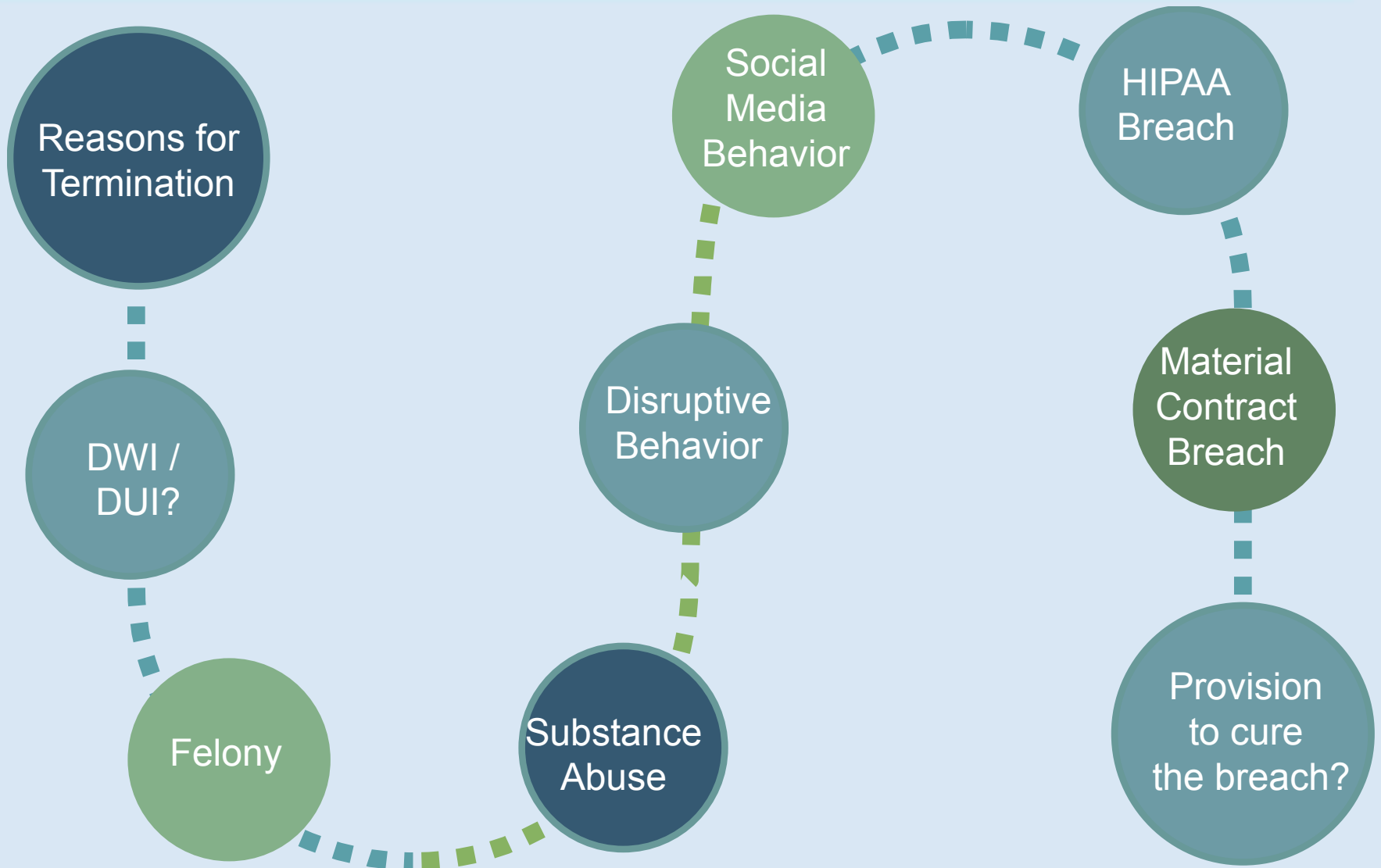


- Roll to Retirement?
 - Deferred Compensation?
 - Can you cash the check right away?

Terms and Termination



The Nitty Gritty





- Paid or Unpaid
- Accumulate Vacation / Sick Time
- Length
 - 6 – 12 weeks
- Delayed return could mean voided contract
- FMLA provisions?
 - Treat as owner or as employee?

Partnership



Timeline to Buy In?



What is their long term strategy?



Internal or External Financing?

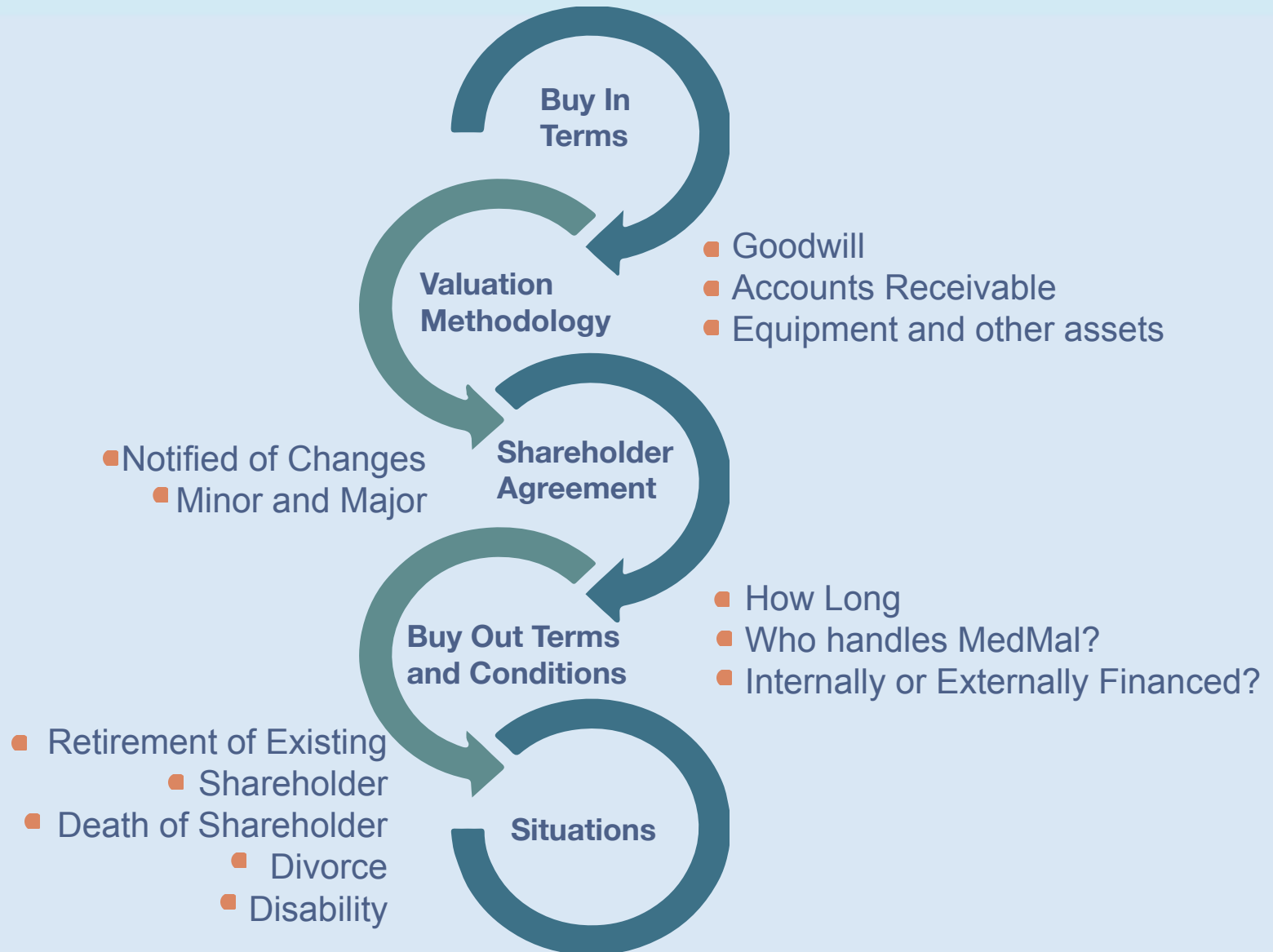


Discretionary or Based on preset parameters?



Are you legally bound today for an event in the future?

Memorialize Negotiation



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