



Succession Planning

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Out with the Old, In with the New

COMPLETE ORTHOPEDIC CARE. COMPLETELY PATIENT FOCUSED.

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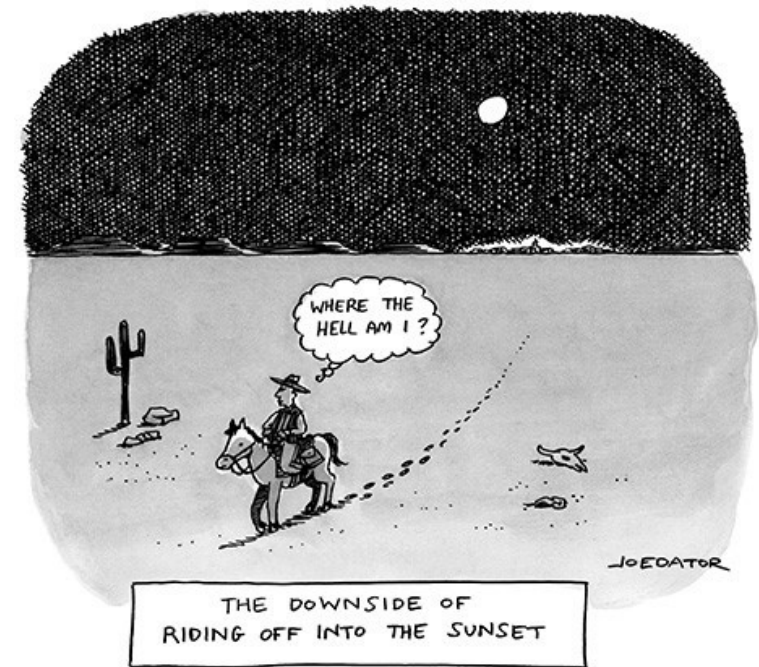


Out with the Old

Expectation



Reality



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Out with the Old

- As of mid 2016, 40% of U.S doctors were over 50 ... and 25% were over 65.
 - ✓ As of March 2017, 54% of U.S. doctors were over 50 ... and 31% were over 60 (Federation of State Medical Boards).
- Physicians can only transfer their practices to other physicians (in their specialty) ... and this is further exaggerated by the fact that many young physicians are going into practice with large healthcare systems.
- This is a professional services business ... and without someone delivering services there is not much “enterprise” value.
- Buy-in for younger physicians is problematic:
 - ✓ High student debt load
 - ✓ Work / Life Considerations
 - ✓ Significant equity in real estate
 - ✓ ASC and hospital valuations



Out with the Old

- Succession planning is becoming even more challenging.
- Several articles recommended 7-10 years of advance planning ... getting 5 years would be awesome ... we are lucky to get 2 years in our practice.
- Structure of retirement:
 - ✓ Valuation of practice (accounts receivable, assets, practice ancillaries (MRI, CT, PT/OT, etc.)
 - ✓ Valuation of ASC / Hospital ... inside or outside of practice ... help from GP
 - ✓ Real estate considerations
 - ✓ Legal and regulatory considerations
 - ✓ Other
- Other departure experiences:
 - ✓ Death
 - ✓ Disability ... or other health issues
 - ✓ Disruptive



Out with the Old

- Items to consider:
 - ✓ Notice requirements
 - ✓ Malpractice tail coverage
 - ✓ Post departure obligations
 - ✓ Staff transition (PA, MA, scheduler, etc.)

- As an administrator, Be:
 - ✓ Honest
 - ✓ Realistic
 - ✓ Prepared
 - ✓ Compliant



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In with the New

- Orthopedics is expected to see continued double digit growth through the mid 2020's.
 - ✓ Major metropolitan areas and larger groups seem to demand sub specialty.
 - ✓ Is sports medicine a sub specialty or the “new” general ?

- Young surgeons have the following challenges:
 - ✓ High student debt load
 - ✓ Work / life considerations
 - ✓ Unrealistic compensation expectations
 - ✓ Fellowship trained
 - ✓ Competition (hospital systems)
 - ✓ Geographic challenges
 - ✓ Non committal
 - ✓ Limited call opportunity (the quickest path to getting busy)



In with the New

- Have a plan ... and a checklist:
 - ✓ Employment Agreement
 - ✓ To pro forma or not to pro forma ... replacement of existing ... or additive ... or new geography
 - ✓ Hospital considerations ... PLA, signing bonus, call pay, directorship, etc.
 - ✓ State medical licensing
 - ✓ Malpractice
 - ✓ Facility credentialing and admitting privileges
 - ✓ Contracting
 - ✓ Marketing ... staff awareness
 - ✓ Software licensing and training