



GOING PRIVATE

Entering the Dark World

Text by Dr Desmond Wai

The working environment in restructured hospitals is generally benign. Besides a few who might indulge in politicking, most doctors are kind and non-malicious, with the sole aim of turning sick patients healthy.

But the business world is very different. Many business entities exist with the main purpose of making money, sometimes at the expense of others – even business partners and clients.

So when doctors move out from the public service to private practice, most of them experience cultural shocks. Some may even pay hefty “school fees” while conducting various business transactions.

I have seen many scenarios during business dealings in my 14 years of practice, which will be shared below.

Dealings in private practice

When you are working in a restructured hospital, your job is simply to take care of your patients and juniors, and you would receive a salary at the end of each month. But in private practice, there are new dealings with various business entities, which are completely foreign to most institutional doctors.

Setting up the company

Setting up your own company is the first step. You need to engage an accountant and secretary for the company, who would also advise you on the appropriate company structure.

Choosing an accountant can be tricky. I have interviewed more than ten different accountants and they can be grouped into two major categories: those who go strictly by the rules and those who go around the rules.

The strict ones might make you feel like you are overpaying taxes. The flexible ones would recommend many tricks to minimise overall taxes so as to maximise profits.

One has to be careful in choosing to be associated with the right accountant. Being audited by the Inland Revenue Authority of Singapore (IRAS) is a stressful and expensive experience. When a clinic is being audited by IRAS, they may ask the accountant for a list of all his/her medical clients and audit each of them. Chances are that they follow the same company structure and will work around the same rules.

Talk to your friends who are in private practice and consider using the same accountant that your friends or seniors have used and trusted in the past.

The tenancy agreement

Landlords, regardless of whether they are doctors or not, would generally aim to maximise rental income.

The tenancy agreement (TA) is a key legal document that every tenant must be very careful about.

Some landlords rent a clinic space at a low base rent, but build in a 10% annual increase in rent over the following few years. Others build in a clause to adjust the rent to “market rate” after two or three years. It is important to pre-define what “market rate” is. Some landlords would charge a low rent at a short lease and increase the rent when the lease is up.

Remember that you have to invest approximately \$100,000 in renovating any new clinic. If you move to another clinic after a short lease, your initial renovation cost would be wasted and you would have to spend another

\$100,000 on the next clinic. Besides, your existing patients and referring doctors may not be able to find you after you move to a new location.

Your landlords are aware that the opportunity cost of moving out from your existing location is high and will naturally increase the rent at the end of the contract. It is thus better to sign a long lease at a fixed rent, but with a tenant option to terminate early.

Study the terms and conditions of the TA with your friends or your property agent. However, don't trust the landlord's property agent entirely, as he/she is likely to act in the landlord's interests instead.

Letter of guarantee

Traditionally, after a medical consultation or treatment, a patient would first pay the medical bill, then make a claim from his/her insurer thereafter.

Nowadays, many third-party administrators (TPAs), insurers and even some hospitals want clinics to provide “cashless services”. This means that patients can come and consult you, have all the necessary investigations and procedures/ surgeries done, and collect medications without paying at the clinic. Instead, the clinics would receive a letter of guarantee (LOG) from these business entities and would have to send an invoice to them at the end of the consultation to be reimbursed later.

Patients love this as they can avoid the hassle of paying first and making claims later. But the hassle then falls onto the clinics, who would bear the financial risks of the claims.

Be aware that the LOG may not cover every aspect of the patient's

care, like medications or investigations of unrelated medical conditions. Additionally, some insurers would ask for discounts after patients have completed treatment, despite initially agreeing to your fees before treatment. Some would even dispute your treatment as inappropriate and refuse to pay in full, while some simply take years to pay up.

So be careful when accepting LOGs from any business entity. Ask yourself what you could or would do if they take a year to pay you, or simply refuse to pay at all. Explore any possible legal recourse before you accept any LOG.

Invoice errors

Many clinics charge for investigations at their clinic so that patients don't have to pay at the laboratories and imaging facilities separately. These facilities would then invoice the clinics at the end of each month instead.

Many clinics would just pay up the requested amount. However, my staff frequently found errors in these invoices, usually billing my clinic excessively erroneously. As such, I suggest all clinics to assign accounting staff to scan through their bills/ invoices to ensure that the items are their true expenses.

Patients' insurance claims

One of the most common questions patients ask me and my clinic staff is whether their planned endoscopies or admissions are claimable with their insurance.

When I first started, my staff would naively call up the patients' insurers to ask. But the problem is that occasionally, due to undisclosed pre-existing illnesses or excessive

investigations/treatments, patients' claims may not be fully claimable. Often, the patients would turn around and accuse my clinic of misinformation and ask for a waiver of my medical fees. I have thus learnt to not "help" them in this regard.

While I could write memos or reports to justify the planned admissions or endoscopies, I would ask the patients to check with their respective insurers instead. I do not want to be held responsible for their claims.

Late payment by TPAs

Most TPA contracts state that after a clinic submits its invoice, the clinic would receive payment within 30 to 60 days. But some TPAs habitually pay their doctors late, sometimes for more than a year.

I have never been shy in demanding payment. After all, medical services and their respective investigations and medications have been provided and paid for. It is only right that the TPAs reimburse my clinic within the stated period.

I have, on more than one occasion, threatened to sue TPAs at the Small Claims Tribunals for late payment. Interestingly, these TPAs often pay up immediately at my threat. After many unhappy experiences with TPAs, I have opted out of all such arrangements. The financial risk of not being paid is high and I prefer to not take the risk.

Opting out of a TPA

Some years back, a particular TPA often paid my clinic late. The scary part was that my clinic staff could not even reach the right person to chase for payment. Their accounting staff were either sick, outstation or pregnant.

When my staff finally got hold of the accounts manager, their oft-used excuse was that there were errors in their information technology system migration, and they would beg for more time.

When I finally decided not to continue with this TPA, they immediately sent me an email, stating that according to their 20-page contract, which I signed two years back, I had to provide a six-month notice. During this notice period, I had to continue to provide service to their clients. Should I breach the contract, my clinic would be liable to pay a \$2,000 fine. This became a good reminder for me and my friends to always scrutinise any contract we sign with any business entity.

Submitting your fees through a primary doctor

Some patients come with a LOG addressed to a primary doctor. For convenience's sake, the insurer may ask all doctors involved in the patient's care to submit their fees via the primary doctor. The primary doctor is to submit all fees to the insurer directly and distribute the fees to all doctors involved when payment is received.

I was once asked by an orthopaedic surgeon to see his patient for chronic hepatitis B. Instead of asking the patient to pay for his medications, the surgeon asked me to send my bill to him instead. The orthopaedic surgeon would then send all the bills to the patient's insurer for payment. In this case, the orthopaedic surgeon was a friend and I trusted that he would act honestly and pay me accordingly.

But there have been instances where some doctors never receive payment from the primary doctor,

whose standard excuse is that the insurer refuses to pay. You can never know if that is true or that the primary doctor has merely "swallowed" your fees. Before you accept a verbal promise from your colleague, ask yourself what recourse you have if you don't receive payment.

Final thoughts

When there is a dispute, one should always go back to the signed contract.

We doctors have been brought up in a trusting environment. We believe that our patients and colleagues would tell us the truth and treat us in an honest manner.

While this is true, we should not blindly and naively believe that business entities would behave in the same trusting manner. When in doubt, ask for help from seniors and friends, or merely ask a non-doctor to vet a contract.

I am often surprised by how naive I can be at times – taking other people's words for what it is. The business world can be cruel. ♦

Dr Wai is a gastroenterologist in private practice. Desmond used to work for a private group, and then started his own solo specialist clinic in 2013. Like many doctors, Desmond tries hard to balance the role of a doctor and a family man. Desmond enjoys cooking and travelling. He also firmly believes that as a profession, we ought to share experiences (good or bad) with one another to benefit the whole profession.

