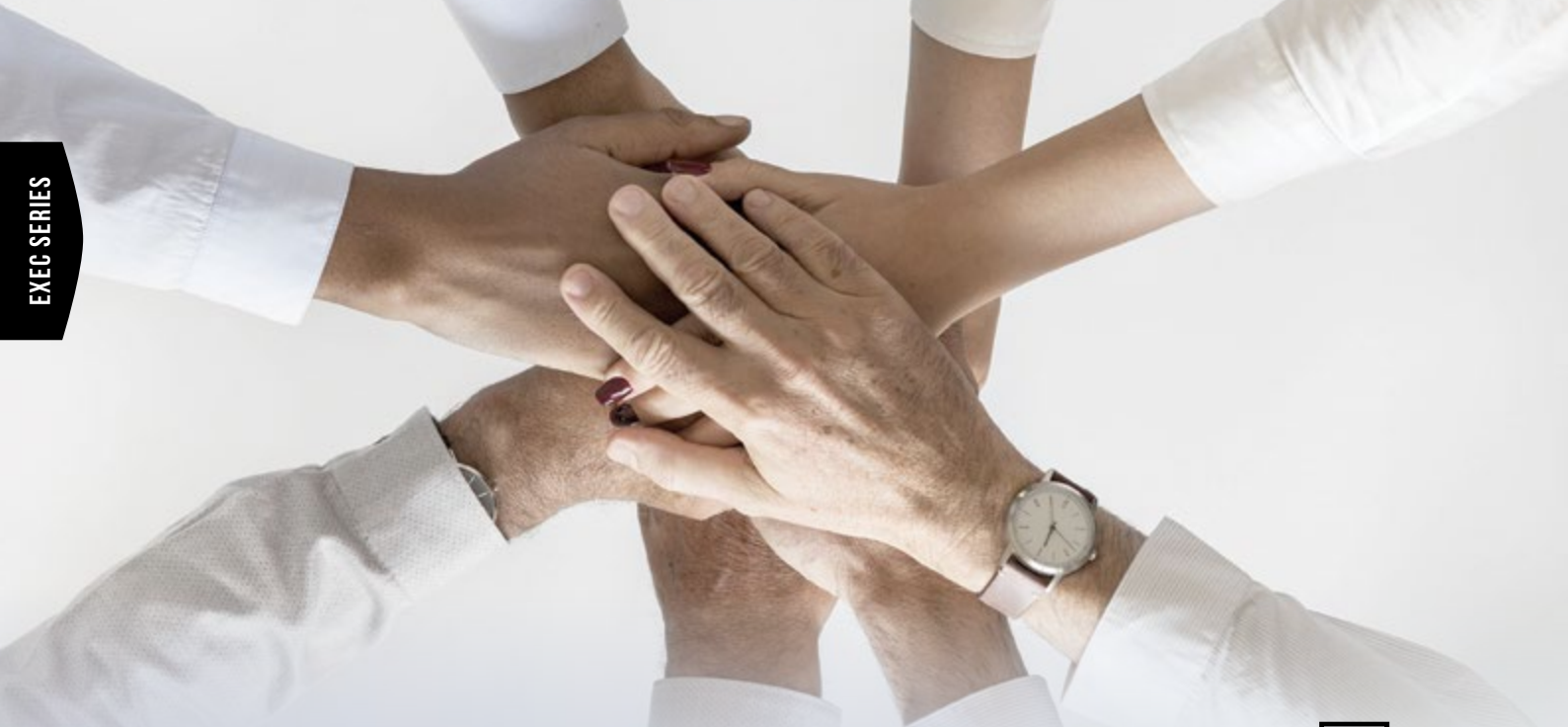

A NEW VENTURE

JOINING A PRIVATE GROUP PRACTICE

Text by Dr Desmond Wai

When a public doctor leaves for private practice, he can choose to either set up a solo clinic or join a group. After more than ten years in private practice, I have witnessed many successful group models, as well as unsuccessful ones. Sadly, there are old friends who stop talking to each other when their partnership sours. On the other hand, there are also many successful groups that become stronger than the sum of the individual practices.

In this article, I wish to set out a series of questions a doctor could consider before he/she joins a private group practice.

Salaried model

Leaving the public sector can be a daunting task. No matter how senior and successful one was in a restructured hospital, there is no guarantee that he/she will continue to be successful in private practice. In fact, most specialists take some time to earn back their last drawn pay. Besides, there are fixed costs that need to be settled, namely, rental of the clinic, salary and Central Provident Fund (CPF) contributions for the staff, utilities bills and renovation costs.

In other words, a private clinic is in the red the moment it opens for business.

However, there are many group clinics, some of which are even listed on the Singapore Exchange, which would offer a salary to doctors new to the private sector so as to ease their financial anxiety. And obviously, they would have to offer a salary higher than the last drawn pay of the doctors so as to entice them to join.

Some relevant questions one should ask:

1. How secure is the contract? Can the new doctor be terminated easily? What is the notice period? These questions help to provide some security for the doctors, especially if they do not perform as well in the new job.
2. How much more is the new job really offering? Don't just look at the monetary value of the new salary. Take all compensation, such as conference leave, 13th month bonus, year-end bonus, retention bonus, performance bonus, CPF, etc, into account. A few years ago, a visiting friend told me that he had just joined a private medical group. Although he was paid more than his last drawn pay, his total annual remuneration was actually unchanged after he took all the bonuses into account.
3. Is there profit sharing above the guaranteed salary if the new doctor makes more money for the group? If so, how will it be calculated? Will there be a delay in the payout of the shared profits? How transparent is the profit calculation and the money collection from patients?

Group practice model

Friends or colleagues in the same department may decide to form a

partnership/group practice. Or, a doctor could join an existing group of the same specialty. Sometimes, two or more specialists, with different areas of subspecialisation, can form a group whereby all subspecialist areas can be taken care of.

For instance, a few orthopaedic surgeons with different areas of subspecialty can form a group so that no matter which part of the skeleton has a problem, the group can handle it. They can literally cover from head to toe.

Alternatively, one can also join a multidisciplinary group so that different parts of the body are taken care of.

Questions that new partners should ask:

1. How will the cost be shared? Will the cost be spread evenly to all doctors, or will it be proportionate to the number of patients the doctor sees or the revenue he generates for the group? Administratively, it is easier to charge all partners equally. Otherwise, the cost will have to be adjusted month by month.

   Obviously, the more patients a doctor sees, the more manpower and clinic resources he will utilise, so he should probably shoulder a higher portion of the cost. However, seeing more patients does not necessarily mean higher revenues. A doctor who does a surgery a day will generate more revenue than another doctor who sees ten patients a day without operation. Alternatively, should the cost be proportionate to revenue, so high earners contribute more?

2. Will the profits be shared? For instance, all partners can be taxed between 20% to 30% of their revenue into the group. The shared revenue would pay for the running costs, while the profits are shared among the partners.

   This system encourages cooperation and referrals among partners, but it also means that high earners "subsidise" the income of the low earners. Similar to countries with high income tax rates, it may discourage high earners to work harder, as the extra income they earn are taxed heavily.

3. How will the non-revenue-generating income work be shared among the partners? Who is in charge of interviewing new staff or sorting out quarrels among clinic staff? Who will read through the quarter reports from the accountant? Who is to organise marketing activities or ensure that the printer never runs out of ink?

   These are important jobs that someone has to do for the practice to thrive, but they are non-clinical activities and do not generate revenue.

4. How can one encourage synergy among the group members and make the pie (patient load) bigger for everyone? How to avoid "cannibalism", which essentially means splitting the same pie among different members in the group, hence making every member's pie smaller?

5. What is the exit strategy? What happens if someone decides to slow down their clinical activities, retire, or falls ill and has to stop working? What if a partner decides to leave the group to strike out on his/her own?

   These are unfortunate circumstances that ought to be considered and put down in black and white on the partnership agreement.

Conclusion

Going into private practice is one of the major decisions a doctor might make in his/her life. It is a scary moment and no one can predict the future. No one can tell how long a new doctor would take to make back his/her last drawn pay.

Joining a group that gives salaries to the doctor provides some reassurance. Forming a group practice with friends can also be a very enjoyable journey – if the group does well.

There is a logistical and financial synergy that would beat a solo practice, but there are many potential problems of a non-solo practice which ought to be well sorted out from the beginning. The last thing one wants would be to turn long-term friendships and comradeship into hardships when the group disintegrates. ◆

Dr Wai is a gastroenterologist in private practice. Like other medical colleagues, he is struggling to balance family and work. He enjoys writing and has been publishing letters in local newspaper to voice out concerns involving medical care and medical systems in Singapore.