

Financial

Successful General Practice Owners Conference

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*Changing
Lives.*

Topics for this Morning

This morning we will be looking at;

- Observations from an industry accountant
- Strategic Planning and how a plan drives efficiency, culture and profits
- Industry financial benchmarks
- Dealing with Risks to success

Observations of the current trading environment for General Practices

- All medical centres we speak to are looking for doctors.
- The growth in new medical centres has slowed but is still there which is going to make it harder for existing practices.
- Increasing numbers of medical students is not translating to large numbers of new GPs
- Currently many more doctors prepare to train registrars than there are registrars.
- Regional doctors are stretched but financial compensation is much higher than metro. Metro doctors “sacrifice” income for “work life balance.”
- Trend for OTD to move to metro areas at the end of their moratoriums continues.

Observations of the current trading environment for General Practices (cont)

- High level of corporate interest and mini-corporatisation of the industry
- Misleading evidence on who doctors prefer to sell to
- Values of practices creeping upwards (as demand increases) but rarely see “real” sales over 4 times earnings.
- Lack of planning in relation to business operations
- A general lack of awareness about the business operations
- Claw back changes and threats of increased Medicare Audits but reasonably low at the moment - assuming they don’t want to upset with COVID

A Real Case

A long standing medical practice in a thriving metro area, 6 doctors working the practice which is located in a small shopping complex which is thriving. Practice has two owners, one is early 60s and one early 50s.

Took on a registrar each year but struggled to retain them.

Doctors were looked after with most on salaries and a share of the PIP.

Recruitment issues centred around;

1. All of the other doctors were older so younger doctors could not “relate”
2. Software, equipment, fit out were all old and therefore not attractive to younger doctors
3. Staff were older and “favoured” the older doctors and younger doctors again found it harder to relate.
4. Patient base was also aging and not being replenished as quickly

Thoughts

The owner doctors had worked in the practice for many years and had worked very hard

They had not worked “on” the practice

The owners were comfortable with the practice and had a style that suited them but they had not considered generation change or updating the practice.

Their mistake of not valuing the business has led them into a downward spiral and the lack of recruitment and other separate issues is likely to make the practice virtually unsaleable.

Top “mistakes” doctors make in relation to their finances

In no particular order:

1. Take action – time poor, procrastination, uncertainty, bad experiences and simply not knowing what they need to know
2. Over complicate or under simplify their finances – too many structures or not wanting to grow their structures as needed
3. Take advice from non-professionals or advisors not savvy in the industry
4. Seek second opinions if unsure – (as this takes time)
5. Chase the “Tax Deduction Rainbow.”
6. Review your investments/plans/position/insurances/wills and....
7. Not value advice – stuff costs money
8. Not value their practice and make the time to understand it.

Real Case Study 2

Long established practice, magnificent fit out and state of the art equipment.
Regional location which does not help and not in a DPA area.

Long term practice manager and around 8 FTE doctors and 15 staff. New service agreements and staff agreements were needed as the older ones were not up to scratch.

Two nurses – one called Sheryl - refused to sign the new agreements and spoke with Fair Work and essentially tried to arranged a “revolt” amongst the staff.

Outcome

Doctors and staff were working in a toxic environment. The practice owners were busy seeing patients and left the issue with the PM to deal with.

The PM resigned noting stress issues and that this was “the final straw”.

Two other staff left and one doctor also moved to another clinic.

Thoughts

The owner doctors had worked in the practice and essentially abdicated responsibility for the changes to the PM.

The PM was not supported by the owners effectively.

Importantly, this was “the final straw” and a toxic culture had been allowed to exist for too long and had not be dealt with.

Good staff have options – people will want them.

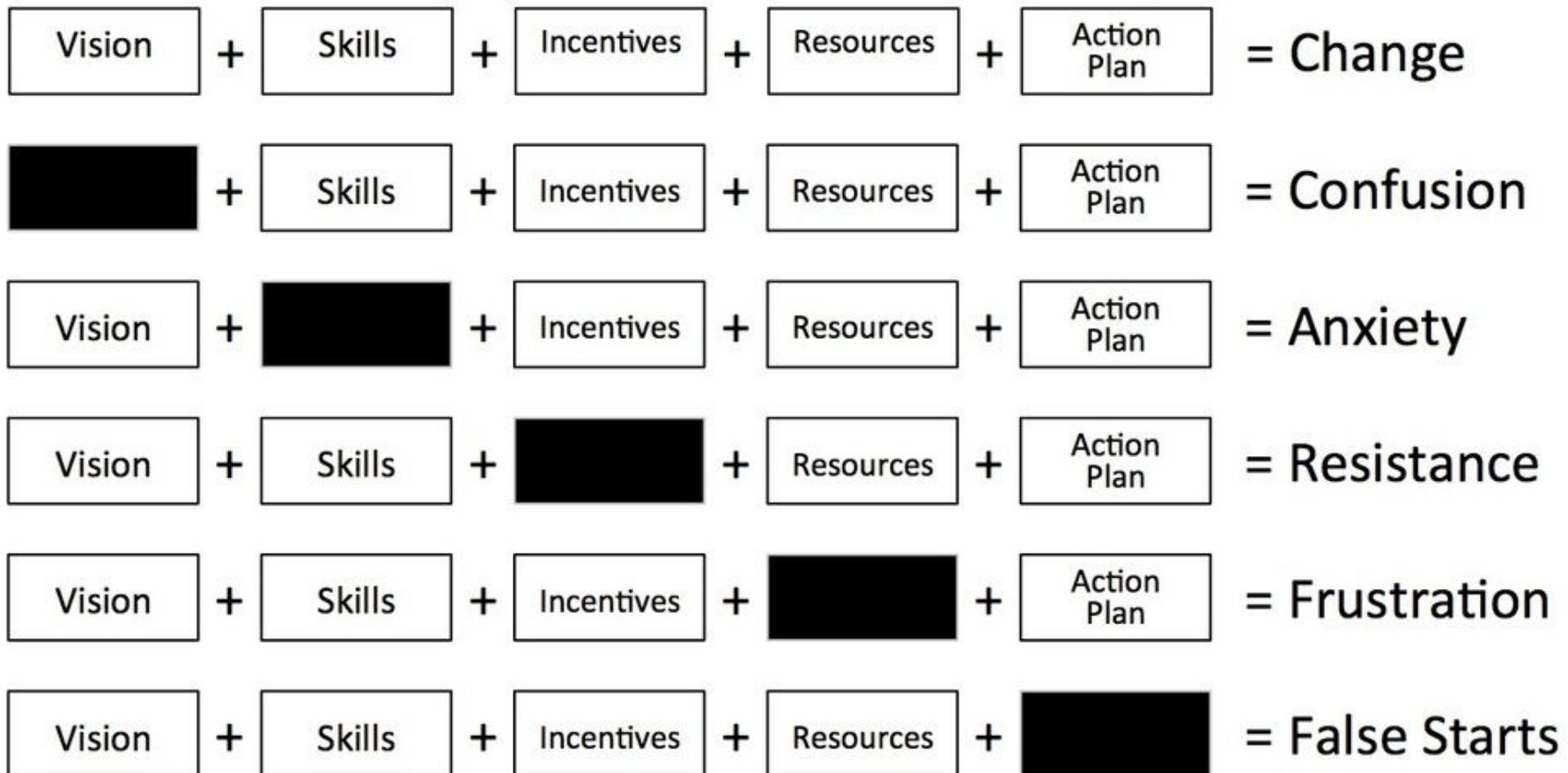
Bad staff will stay with you.

When it is hard to recruit the last thing you want is to lose a doctor and have the reputation of having horrible staff work in your clinic.

Questions:

1. In the current climate – will any doctor do or are you still selective?
2. Do you know the “type” of doctor you are looking for?
3. Realistically do they exist?
4. What factors would attract them to your practice?
5. What factors are a deterrent to doctors joining?
6. Do you have a plan to address this?

Managing Complex Change



Accountants are not just Tax – seek business advice!

- An industry focused accountant can help with business issues faced by your practice
- If they can not help directly – they should know someone who can
- They can help develop a strategic plan and work with you to implement the changes needed in your practice to help retain and attract doctors and staff that are ideal for your success.

To achieve your goal
you need an
articulated
Vision

Your Ideal Practice –
Your Vision



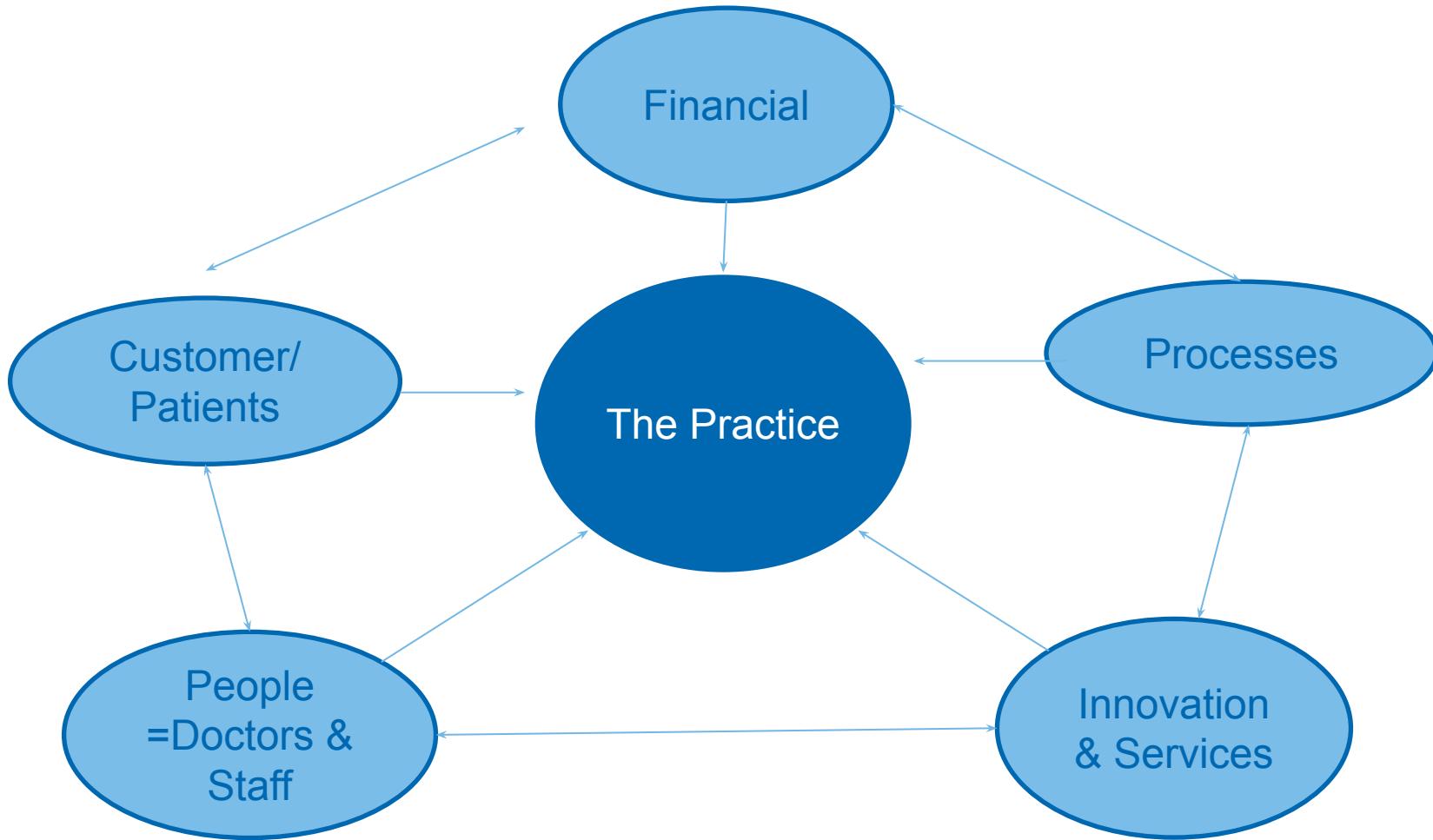
Where the Practice
is Now

“We can not become what we want by remaining what we are”

Max De Pree

What to consider with your Vision

When developing your Vision consider the practice as a **WHOLE** – not just the doctors.



Strategic & Business Plans with Medical Practice

Core Standard 3 – RACGP 5th Edition Standards

The Standards make reference to many things with guidelines on what you “must” do and what you “could” do.

They missed out a category being what you “should” do.

Core Standard 3 dealing with Practice Governance and Management. The standard clearly notes that “to operate a business successfully, strategic thinking and business planning is as important as financial budgeting and reporting.”

The standard outlines what the practice could do in relation to the development of a strategic plan but falls short in making this a “must.”

Strategic Planning – The Process

- The Thought Journey
 - Where you have been, where you are, where you want to be
- Consider the Corporate Platform
 - What are your goals and what is your Vision for each aspect
- Articulate your consolidated Vision for the Practice
- An Action SWOT
- Business models to achieve your goals
- 100 day Action Plan

When you know your Vision everything becomes clearer



Potential Roadblocks to Success – Business Risks

Business Risks can impact your ability to achieve the Vision for your Practice. The 5th Edition Standards also ask you to consider business risks. These include:

- Lack of a Business and Strategic Plan
- Procrastination and Apathy
- Lack of a Point of Difference
- Lack of a Marketing Plan

Financial Risks – Proper Reporting

Have a budget for your practice – 6 months and look at one on a fortnightly basis.

Compare your performance to benchmark rates

Our latest numbers (as a % to gross patient fees):

Percentage to Doctors 64.71% (down by 2% - but....)

Medical Supplies 2.92% (up – potentially vaccine purchases)

Rent 6.92% (up by .4%) (large variances)

Wages (Admin & Nurses) 19.73% (up by over 2%)

Overheads 7.51%

- Cleaning .71% - Advertising .68%

- Computer .65%

- Repairs and Assets .47%

Total of expenses is 101.83%

Financial Risks - Practice

- Improper record keeping and reporting
- Cash flow management
- Late superannuation payments
- Payroll tax registrations not being done

Financial Risks - Personal

Like with the practice, whether you are a doctor, PM or staff member, having a personal financial strategy will help to mitigate longer term financial risks. Considerations include;

- Have a financial strategy (paying off your house and hoping for the pension isn't one)
- Understand your superannuation
- Understand your investment options
- Have a will
- Have your personal insurances covered
- Have the right mix of assets for your stage in life

Internal Controls

- Internal controls are processes and oversights which are in place to protect the assets of the business.
- Internal controls are also controls which are put in place to ensure that the goals of the organisation and its operational effectiveness and efficiency are met.

Deviation from processes.

- Staff are asked at a counter are asked to find out how you heard about us – but they don’t
- Patients waiting are meant to be spoken to – but we don’t
- Doctors are asked to say good morning to staff – but they don’t
- Staff and doctors skip or are late for meetings
- Staff are meant to say good bye or help a patient – and they don’t

Question & Answers

Any Questions?