

PHYSICIANS PRACTICE[®]

PATIENTS

share the **blame**

**Who is really at fault for
where health care is going?**





Patients share the blame

Patients aren't blameless in the current state of health care in America

By Lucien W. Roberts III, MHA, FACMPE

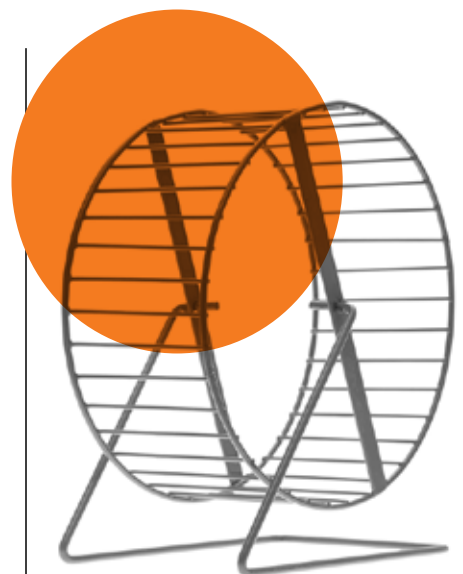
It is easy to blame doctors for the hamster wheel the practice of medicine has become. It's even easier to blame the insurance companies. Here's the thing, though: Patients are to blame as well. We don't talk about that side of the equation enough.

I have a friend who gets his primary care via urgent care and nonurgent grocery store care. He is overweight and prediabetic. When I tell him he needs to establish a relationship with a primary care doctor, he tells me he has to wait six months for an appointment because he is not an established patient.

So he goes to urgent care. And six months later, when he should be seeing his primary care doctor, he tells me it takes too long to get a new patient appointment and goes to urgent care instead. The cycle continues.

MYTH NO. 1
A shortage of primary care physicians is why fewer patients have primary care physicians

There is a shortage. Patients cannot use it as an excuse not to have a primary care physician. Yes, one may have to wait for a new patient appointment, but isn't waiting a



Ljupco Smokovski (Vidi Studio - stock.adobe.com) (Modified by Katie Brinckerhoff)

part of everyday life? I get in line in the grocery store; I make an appointment six months in advance for my annual HVAC maintenance.

MYTH NO. 2
Physicians are rushed, but patients aren't

Gone are the days when patients are made to show up 30 minutes early for a 15-minute appointment, but many a patient remains remarkably impatient and inconsiderate. It's OK for you to spend more time with her, but don't you dare spend more time with the patient ahead of her on the schedule.

While there is truth to some physicians rushing through appointments, I have not experienced such care. Physicians who rush through appointments and do not listen with both their eyes and ears should strive to do better.

MYTH NO. 3
Convenience trumps quality

Bull. A zip tie or duct tape will hold a car fender on for a while. A once-over, symptom-driven exam at an urgent care may get me a prescription — antibiotics cure everything, right? — without taking my underlying health into consideration. Short-term fixes often create long-term issues.



MYTH NO. 4
Patient portals are calming

I call them “impatient portals.” Patients know their test results before their doctors do, call their doctors immediately and expect immediate guidance.

One Friday, we had a patient in our infusion suite who had just found out via the patient portal that her husband's scans showed cancer ... mere seconds after the results were posted online. The portal sends notifications when results are posted. It puts physicians and their employees in an unfair position, in my opinion.

Good care is good enough for patients until they need great care. Getting convenient care is more

important than waiting for great care. But when a health issue that has been ignored, missed and/or unmanaged becomes an issue, these same patients want to move to the front of the line and be prioritized.

When my air conditioning fails in the middle of the night or on a weekend, I pay a premium for after-hours service. And if I don't have an existing relationship with an HVAC company, I wait in the back of their line. Health care is no different.

I do believe we are part of the problem. I believe we can do better. And I believe patients share the blame for where health care is going.

Lucien W. Roberts III, MHA, FACMPE, lived on the health care hamster wheel for many years. As he nears retirement, he avoids hamster wheels, the Mad Hatter teacup ride at Disney World and anything else that unsettles him.





Medical practice valuations

Historically, valuations were largely considered the total earnings of the owner, whereas investors focus on the profits of the business as a basis for valuation

By Nick Hernandez

Valuation nomenclature has changed over the years. Practice values used to be referred to as a percentage of collections, but today's most common reference point is a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA).

Traditionally, a solo practitioner thought of earnings as the total remuneration from the business in a given year. The reality, however, was that a portion of those earnings was compensation for the physician providing clinical care, and a portion represented profit generated from the business. Historically, valuations were largely considered the total earnings of the owner, whereas investors focus on the profits of the business as a basis for **valuation**. Further, investors consider the actual cash flow of the practice on a debt-free basis as the best predictor of their return on investment. This has led to the focus on EBITDA as a measure of a practice's performance, and this is how most other businesses are valued.

What is the right multiple?

There is no easy answer to that question because the multiple is meant to assess the opportunity of the investment and its relative riskiness as well as provide a reasonable rate of return for investors. There are many factors that influence multiples, including location, trained staff, stable or growing revenue stream, payer mix, condition of the facility, mix of services, patient demographics and profitability.

For group practices, although having a pipeline for future growth is important, the most significant influence on the multiple is historical growth. It is also important to recognize that the higher multiples are applied to those businesses that have a qualified management team in place to support continued growth and ensure replicable earnings, as well as documented policies and procedures to scale the business.

Business owners often focus exclusively on the multiple and don't recognize that equally as important as the multiple is the number the multiple is being applied



The typical adjustments applied to the historical financials are to:

1. bring owner compensation to fairmarket value
2. account for nonrecurring and discretionary expenses.

to—the EBITDA. The traditional **valuation** of a solo practitioner’s office is based on historical performance of the business as a predictor of future performance.

In contrast, the valuation of a group practice is typically done on a prospective basis, which involves forecasting the performance of the business, in addition to making adjustments for owner compensation, nonrecurring expenses and discretionary expenses. The purpose of forecasting for group practices is to help a prospective investor see the true investment opportunity, which may not be reflected in the historical financial performance. For example, if a group acquired a practice partway through a given year, the historical financials only reflect that partial additional impact on revenue and EBITDA. The EBITDA adjustment in this example is to show the prospective investor the impact of the acquisition for a full year.

The other nuance in today’s marketplace is the different perspective on earnings from different types of buyers. A private equity firm is generally looking to make an investment in a business or partner with the founder of the business and therefore will want to keep as many members of the management teams in place as possible to operate the business and drive performance. However, they may make a downward EBITDA adjustment if they feel additional management team members are needed to continue to grow and support the business.

Conversely, strategic buyers (those who have existing group

practices and experience in the industry) may make upward EBITDA adjustments for synergies, including duplicative management team members or third-party vendors, more favorable laboratory and supply contracts, and more favorable payer contracts. Generally speaking, a private equity firm will likely pay a higher multiple but on a lower EBITDA, whereas a strategic buyer will likely pay a lower multiple on a higher EBITDA.

If you are considering a transition, aside from the valuation of your business, it is critical to understand the other terms necessary to close a transaction. In many cases, there are legal provisions that can have significant economic consequences and therefore should be considered when looking at the value of the business. Using an experienced consultant will ensure that you negotiate the best price and transaction terms for your given situation.

Nick Hernandez is founder and CEO at ABISA, LLC.





Afternoon blahs

Time for short bursts of exercise

Just one to two minutes of cardio exercise that won't make you break out in a sweat will make you more productive and less lethargic

By Neil Baum, MD

In a previous article, I discussed the benefits of short afternoon naps. I must be honest; I don't know any physicians who can take a 15- to 20-minute nap during afternoon clinic hours. However, another solution to the typical afternoon sinking spell is short bursts of exercise. In this blog, I will discuss the concept of short bursts of exercise and how just one to two minutes of cardio exercise that won't make you break out in a sweat will make you more productive and less lethargic.

The evidence continues to grow that even short periods of activity can make a difference.

A recent study published in *The Lancet Public Health* reported how short bouts of moderate to vigorous physical activity increase energy levels and productivity and reduce the risk of heart attack, stroke, and heart failure.

The researchers found that short physical activity, greater than one minute, was associated with a decreased risk of major adverse cardiovascular events. The study, which used wrist wearables, found that doing brief bursts of exercise has health-enhancing benefits and can lower the risk of heart attack and stroke by 29% to 44%. The study indicates that opportunities for reaping the benefits of physical activity abound, even for physicians who have difficulty finding time to exercise during office hours.

Exercise intensity can be divided into three categories, as follows:

- If you can sing while doing the activity, that's light exercise.
- If you can't sing but you can speak comfortably, that's moderate.



AFTERNOON BLAHS



Vigorous exercise occurs when you can speak only a few words after 30 seconds of exercise.

I have found that just climbing two to three flights of stairs in the afternoon is effective at increasing my energy level and enjoyment from providing patient care. I think that to make this effective you must be panting and deep breathing at the end of the short burst.

Examples of short bursts of exercise

Short bursts of physical activities include the following:

- Brisk walking down the hall
- Walking upstairs, at least two flights, instead of using the elevator
- Dropping down and doing push-ups, approximately 20
- One to two minutes of jumping jacks in your office

It's not the exercise duration that matters in these instances—it's the intensity. This type of exercise has been effective at bolstering the cardiovascular system.

Even tiny spurts of exercise throughout the day are associated with significant improvement in energy levels and improved productivity.

Even short bursts for just four-second intervals of intense activity could counteract the metabolic toll of sitting for long periods,

an activity often referred to as the new smoking.²

Short bursts of exercise show that the average person or doctor doesn't need to go out of their way to reap the benefits of those small spikes in short periods of exercise.

I read the *New York Times* best seller *Breath: The New Science of a Lost Art* by James Nestor.³ Although the author is not a physician, he has spent years researching the topic and the physiology of breathing. It is my simplistic explanation that sitting still allows carbon dioxide (CO₂) to accumulate in the pulmonary system and that partial pressure of oxygen (pO₂) is modestly decreased. With short bursts of exercise, it seems to be logical that the oxygen levels will increase, and the CO₂ will be purged from the lungs. It makes clear sense to me that there is a physiologic basis for the benefits of short bursts of exercise.

Let's assume you can't spare even a few minutes to walk up the stairs during clinic. Another option is to simply to take a few deep breaths. This increases the pO₂ levels and purges the lungs of CO₂.

There are no negative effects. This offers a high benefit-cost ratio with minimal cost or time commitment. This makes just a few deep breaths the ideal solution for the busy doctor experiencing afternoon lethargy. Deep breathing can be performed anywhere and may improve energy levels and productivity.

Bottom line: It's not the duration of the exercise that matters—it's the intensity. Additional studies are needed to determine the exact mechanistic pathways from everyday activities in short bursts leading to improved energy level when the afternoon lethargy impairs your efficiency and productivity.

Neil Baum, M.D., is a physician in New Orleans, Louisiana, and the author of **The Business of Building and Managing a Healthcare Practice**, Springer 2023.

PHYSICIANS PRACTICE®

EDITORIAL

VICE PRESIDENT, CONTENT CHRIS MAZZOLINI, MS
cmazzolini@mjlifesciences.com

Editor Keith A. Reynolds
kreynolds@mjlifesciences.com

COPYEDITING

VICE PRESIDENT, COPY JENNIFER POTASH

Copy Chief Paul Silverman

Copy Supervisors Angie DeRosa, Nicole Canfora Lupo

Senior Copy Editors

Cheney Baltz, Marie-Louise Best, Kelly King

Substantive Editor Georgina Carson

Copy Editor Tracy Politowicz

DESIGN

CREATIVE DIRECTOR ROBERT MCGARR

DESIGNER KATELYN BRINCKERHOFF

PRODUCTION

CIRCULATION DIRECTOR JONATHAN SEVERN

PUBLISHING & SALES

EXECUTIVE VICE PRESIDENT BRIAN HAUG

Director, Business Solutions Group Wynn Hansen

Business Development

Jeffrey Chase, Mairon DaSilva, Emily Rosenthal

Account Manager, Recruitment Joanna Shippoli

CORPORATE

PRESIDENT & CEO MIKE HENNESSY JR.

Chief Financial Officer Neil Glasser, CPA/CFE

Chief Operating Officer Beth Buehler

Chief Data Officer Terric Townsend

Executive Vice President, Global Medical Affairs & Corporate Development Joe Petroziello

Senior Vice President, Content Silas Inman

Senior Vice President, Human Resources & Administration Shari Lundenberg

Senior Vice President, Corporate Development Erik Lohrmann

Senior Vice President, Mergers & Acquisitions, Strategic Innovation Phil Talamo

Executive Creative Director Jeff Brown

FOUNDER

Mike Hennessy Sr., 1960-2021

AN **MH** life sciences® BRAND