

The Promised Land?



The Promised Land

NEXT EXIT >

What You Will Learn From Today's Presentation:

- ✖ A Cautionary Tale: What Can We Learn From The Corporatization of Human Medicine?
- ✖ Why The Mass Exodus? What's the Hurry?
- ✖ What is Consolidation & Why All This Corporatization of Veterinary Medicine?
- ✖ Will Corporate Medicine Affect The Veterinary Industry in the Future?
 - + Is it About The Money or IS It About The Care?
- ✖ What's Your Value To the Buyer?
- ✖ Are You Really Leaving A Legacy To Your Employees and The Community When You Sell To A Corporate Consolidator?
- ✖ What Does A Corporate Consolidator Look For When Buying Your Practice?
- ✖ What Should You Look For If You Want To Sell Your Practice To A Corporate Consolidator?
- ✖ Learn How To Negotiate The Best Deal For Your Practice Should You Sell
- ✖ Learn How To Sift Through The Promises To Determine What Your Practice Will Actually Look Like Post Your Sale To A Corporate Consolidator
- ✖ Learn What You & Your Employee's Can Expect Your Post Sale To A Corporate Consolidator?
- ✖ Learn How To No Longer Be The "Owner" Post Your Sale To A Corporate Consolidator?
- ✖ Are There Options To Selling To A Corporate Consolidator?

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- ✖ Late 1950's healthcare costs tripled
- ✖ 1965 President Johnson signed Medicare & Medicaid into law.
- ✖ First U.S.'s public health insurance programs
 - + How did that work?
 - + Money in advance from Govt
 - + The answer is NO!
 - + \$1.00 for each error
 - + Doctors hated Medicare/Medicaid
- ✖ Over 700 insurance companies. Still mostly a 3rd party payer source
- ✖ Early to late 1970's medicine was fun and fulfilling.
- ✖ Focus on patient care, not paperwork
- ✖ Cash was flowing
- ✖ Nurses were mainly women
- ✖ Doctor's were mainly men
- ✖ Doctors could even own their own clinics, labs and hospitals!



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- ✖ Practiced the medicine they loved
- ✖ Little to no interference from insurance companies, corporations, or hospital administrators
- ✖ AMA had a strong lobby
- ✖ Most practices and hospitals were private pay.
- ✖ Insurance company were the 3rd party payer source... Meaning? Client paid us, we signed & they collected something..... Sound familiar?
- ✖ Remember cash was flowing.....
- ✖ But, Insurance companies and Wall Street wanted more.....



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- ✗ No Lawyers, CPAs or Wall Street telling us what to do
- ✗ Doctors and nurses practiced medicine their way.
- ✗ Most loved their jobs and their career choice
- ✗ The Doctors controlled patient care
- ✗ No ICD codes, CPT codes, UB codes or HCFA 1500 forms
- ✗ Revenue was high and expenses?
 - + No one told us to care about cutting expenses. Like OT, staffing, equipment purchases, etc.
- ✗ Cash lucrative, cottage industry with little to no regulatory oversight.
- ✗ But.....big business was waiting quietly.....The perfect storm was about to erupt.....

1970



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- ✗ Wall street owned Insurance Companies, Corporations and their CEOs, Lawyers & CPA's started buy & control practices, doctors & hospitals!
- ✗ Found had found a way for the average citizen to afford healthcare
- ✗ So they started controlling the patient's access to the doctors office and hospitals
 - + Less cash & patients spoke volumes to the Doctors . They were scared & getting squeezed.....
- ✗ Offered the doctors the Promised Land. More CASH. More FREEDOM from long days and managing their hospitals or practices
- ✗ They could just practice medicine.
 - + But isn't that what they were already doing?
- ✗ Bought Hospitals that owned the practices, their practices
- ✗ Insurance companies became the primary payer source
- ✗ HMO's and PPO's were created to give the MD more patients and the patient more access to medical services



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- ✖ Had all the Solutions. The Promised Land had arrived, or had it?
- ✖ No more managing the practice/hospital
- ✖ No more managing that now diminishing cash flow
- ✖ No more paying bills or payroll
- ✖ No more hiring, firing and discipline employees
- ✖ No more billing the insurance companies for reimbursement of services
- ✖ No more trying to get affordable insurance for the staff
- ✖ No more collecting A/R
- ✖ No more ordering supplies or buying medical equipment
They have something called a GPO
- ✖ No more Human Resource issues
- ✖ No more calling Lawyers
- ✖ No more worrying about regulations
- ✖ We will absorb all the bad debt
- ✖ We will take that albatross of a building off your hands
- ✖ All you have to do is practice medicine, we will handle the rest.....
- ✖ Had the Savior arrived and delivered the Promised land?
- ✖ How do I know all of this?
- ✖ Was it about care or money?



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- ✖ What Happened To The Doctor's Promised Land?
- ✖ Corporations Now Owned & Operated
 - + Pharmacies & mandated the drug formularies
 - + PPO's and HMO's = more patients but less time and less money aka reimbursement from the Insurance companies.
 - + Resulted in less face time with the patient
 - ✖ 1 patient every 10 minutes!
 - + Primary Care MD's became the gate keepers. PCP were financially rewarded for not sending the patient to a specialist
 - + Patients had to have a referral to see a specialist
 - + Reduced time in the hospitals. Average length of stay is 2.5 days or lower



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- ✖ Reduced staffing to below safety standards
 - + Detriment to patient safety and care
- ✖ Increased paperwork
- ✖ Reduced cash to doctors, hospitals/clinics. But not to the corporations or insurance companies
- ✖ Increased profit to insurance companies
 - + BCBS
 - + There are no national data banks to tell us how many covered lives each insurance company has daily.
- ✖ Doctors and nurses salaries cut as those are expenses
 - + Average PCP salary = \$197k annually
 - + Average RN salary = \$61k annually
 - + Average Practice Manager Salary = \$68k
- ✖ Highest paid health insurance CEO = \$22 Million in 2016.
 - + The 8 highest health insurance CEO average between \$13 million and 22 million annually.....
- ✖ Healthcare is the most regulated industry in the US.
- ✖ Doctors, Nurses and support staff hate their jobs
- ✖ They are now just a cog the faceless corporate wheel of medicine



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- ✖ Whose The Real Loser?
- ✖ Obama's Affordable Health care Act
 - + Promised not to raise premiums and eliminate preexisting conditions
 - + Most Healthcare Insurance companies left the "affordable healthcare act" program after one year claiming they could not make a profit....
 - + Result:
 - ✖ Rates have increased up to \$32%
 - ✖ Insurance premium bids are fixed nationally by the Wall Street owned insurance companies and corporations
 - ✖ No single policies written
 - ✖ Average person cannot afford healthcare or the insurance
 - ✖ Doctors & Hospitals blamed – why?

Health Care Quality Report Card 2009 Edition



Does Your Health Plan Measure Up?	Meeting National Standards of Care	Members Rate Their HMO
Aetna Health of California, Inc.	☆☆	☆☆
Anthem Blue Cross	☆☆	☆☆
Blue Shield of California HMO	☆☆☆	☆☆
CIGNA HMO	☆☆	☆
Health Net of California, Inc.	☆☆☆	☆☆☆
Kaiser Permanente No. CA Region	☆☆☆☆	☆☆☆☆
Kaiser Permanente So. CA Region	☆☆☆☆	☆☆☆☆
PacificCare of California	☆☆☆	☆☆
Western Health Advantage	☆☆☆	☆☆☆

California's Health Plan Ratings

Excellent ☆☆☆☆

Good ☆☆☆

Fair ☆☆

Poor ☆

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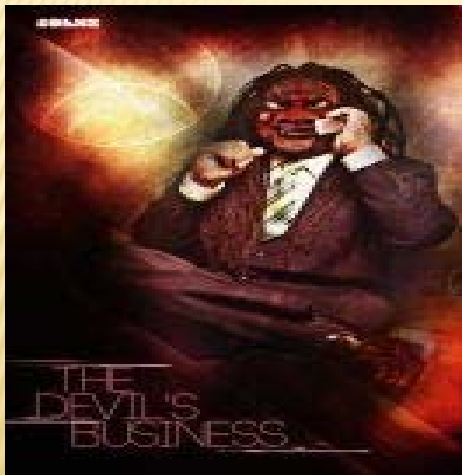
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- ✗ ICD 10 codes?
 - + What are they?
 - + How are they used?
 - + Quality Care or reimbursement control?
- ✗ How did/does this affect the Veterinary industry?
 - + Data base of 7 million records since 1964 from 26 veterinary universities
 - + VMBD, SNOMED & SNVDO.
 - + Sound familiar
 - + Why would we use them?
 - ✗ Corporations
 - ✗ Cost control
 - + Why does Human Healthcare use coding?
 - ✗ Reimbursement....
 - + Heard anything about quality of Care Veterinarians?
- ✗ What Was The Result of all the Human Healthcare Corporatization?
 - + Prices have escalated in all areas of healthcare
 - + Insurance premiums have escalated so high that most can't afford them
 - + The quality of healthcare has gone down
- ✗ Insurance companies have the average citizen believing that the rising cost of healthcare is the doctor and hospitals fault
- ✗ Human Healthcare still today has not figured out how to care for the patient and get paid post the introduction of managed care.....
- ✗ Now you Know Real Truth.....

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- ✗ Sound Familiar?
- ✗ Thoughts to Ponder.....
 - + What are we being promised by the devil in the Armani Suit?
 - + What will our Promised land look like?
 - + Are we going to be any different than human healthcare?
 - + Are we going to learn anything from the human side of corporate medicine or is greed going to control our profession?
 - + Can we stop the corporatization of veterinary medicine?
 - + Do we want to? Do we care?
 - + What are possible solutions if I want to compete with corporate veterinary practices?
- ✗ Let's Take A Look.....

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✖ Consolidation:

- + The action or process of making something stronger or more solid.....
- + The action or process of combining a number of things into a single more effective or coherent whole
- + The combining of two or more previously separate businesses to offer the most medical, surgical, emergency and urgent care services to patients/clients



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Consolidation:

- ✖ Four-letter word- spelled with 13 letters!
- ✖ The word is laden with emotion
- ✖ It denotes a loss of independence!
- ✖ Small-town businesses gobbled up by faceless corporations
- ✖ It breeds staff fear and uncertainty
- ✖ FDR said: The only thing we have to fear is fear itself! But is that really true?



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- ✗ Consolidation
- ✗ Most consolidations can be boiled down to:
 - ✗ The chase for greater efficiencies and leverage made possible by economies of scale
 - ✗ And pursued for the sake of addressing rising costs.....
 - ✗ AKA: The Pursuit of Profit Has Become The Central Focus of Two-legged and Four-Legged Healthcare



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What Drives The Market To Consolidation?

- ✗ Consolidation is a market reaction
- ✗ Response by providers that see a larger size and broader reach as a competitive edge
- ✗ Competition brings efficiencies to the bottom line which equals increased profits and ideally better care to the patients
- ✗ Large network= Decreases Wages and Reduces the Labor Need.
 - + Maybe in human medicine - but not in vet medicine.
 - + Not enough professionals in our industry. Low wages to nurses and the explosive growth of specialties has stripped our labor market.
 - + Consequently it's a tight labor market which tends to drive up labor costs. Think ER DVM, Internists, Techs, etc.
 - + Techs are Unionizing!
 - + Corporations reduce admin and other non medical positions.

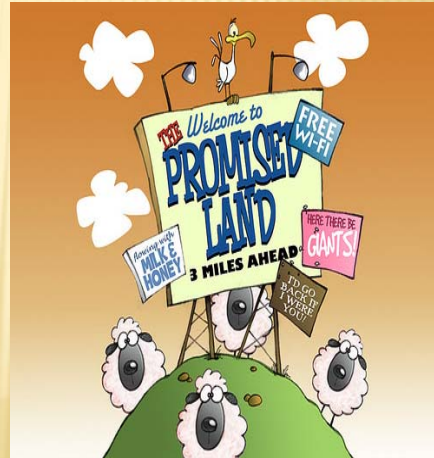


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What Drives The Market To Consolidation?

- ✖ Rising capital costs
 - + Expansion or buy advanced equipment and they will charge you for it
 - + Technology & IT support is expensive
 - + Independent hospitals /clinics struggle to keep up with the competition
- ✖ Low census
 - + Large corporations can absorb the costs of low census days/weeks/months
- ✖ Charges
 - + At what point will the pet parent says NO?
- ✖ Profit Expectations
 - + Corporations expect 20% plus profit margin
 - + Large independent hospitals are lucky to get 10%-12% profit margin



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Why All This Corporatization of Veterinary Medicine?

- ✖ Are We Just Plain Tired?:
 - + Tired and just want to practice medicine?
 - + Tired of all the paperwork?
 - + Tired of managing doctors & support staff?
 - + Tired of the Gen-X'ers?
 - + Tired of the all the whining?
 - + Tired of poor work ethics-30- 36 hour FTE's?
 - + Tired of worrying and managing finances?
 - + Tired of facility maintenance?
 - + Tired of legal and HR issues?
 - + Tired of working long hours?



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Why All This Corporatization of Veterinary Medicine?

- + Tired of feeling guilty when you want to take a vacation –or- just a day off?
- + Tired of complaining clients?
- + Tired of looking for specialty & emergency doctors?
- + Tired of Interns & Residents?
- + Tired of training new vets & staff members?
- + Tired of the way the veterinary industry is headed?
- + Tired of looking over your shoulder at the competition?
- + Tired of trying to get ahead?
- + Tired and ready to retire?
- + Tired and worried about your future and your legacy?
- + Tired of the corporate squeeze?
- + Just plain tired?

These are quite a few of the reasons the corporate consolidator will give you for selling your practice to them!



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What Are The Corporate Consolidators Looking For When Buying A Practice & What Really Happens

1. High Revenue
2. Do You Own More Than One Hospital?
3. A Good Location
4. Room to Expand
5. Lots of Doctors



"That's a decent offer but if I wanted to sell my soul, I would put it up for bids."

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What Are The Corporate Consolidators Looking For When Buying Your Practice

- 6. A Practice Owner or Owners That Will Stick Around
- 7. Long Lasting, Efficient Staff
- 8. Better Than Average Profit & Cost Control
- 9. Client Retention/Good Community Reputation



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What Are The Corporate Consolidators Looking For When Buying Your Practice ?

- 10. Honest Numbers
- 11. Associate Contract and Non Competes
- 12. Long Term Leases With Options to Buy



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The Pros & Cons of Working In A Corporately Owned Practice

Pros:

1. Ability to Transfer to a Different Hospital in the System
2. Good Spot For New Graduates
3. Its An Exit Strategy For Practice Owners



Cons:

1. Business Management is Handled Entirely by the Corporate Office.
2. You Can't Buy Into The Practice or Become An Owner
3. Limited Decision Making Abilities
4. Lengthy Approval Process
5. Potential Overemphasis On Financial Success
6. Your Opinion May or May Not Matter
7. You Might Be Divested and/or Sold Off Again.....
8. You May Have Been Lied To....

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Options To Selling To A Corporate Consolidator:

✖ Get Creative:

- + Get Creative With Financing & Sell To Your Younger Associates
 - ✖ Offer Your Associates a Staggered Buy In Opportunity
 - ✖ Keep the Property & Rent It To Your Associates
 - ✖ The Quit Working, Go To the House & Count Your Rent Money
 - ✖ Get A Good CPA & Lawyer Who Has Your Companies Long Term Interest In Mind.
- + Start an Organization like The Arrow Group- aka PetVets.com
- + Start an ESOP
- + Hire a Good, Experienced Hospital Administrator
 - ✖ Not One That Was Your Groomer or CSR Yesterday
- + Join VSPA and/or Other Practice Support Groups
- + Quit Practicing Medicine and Run Your Business.
 - ✖ You Can't Do Both Effectively.
 - ✖ Both Are Full Time Jobs



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Corporations Famous Lies:

- ✗ Nothing Will Change
- ✗ Your P&P Will Stay The Same
- ✗ We let Doctor's be Doctor's And We Do The Rest
- ✗ You Will Not Have Any Loss Of Autonomy.
- ✗ You Can Have Anything You Want For The Hospital, After the Purchase Is Complete
- ✗ This Hospital Will Be Better Than You Were Before Due To Our Business Acumen.
- ✗ You Can Have Shares In Our Corporation.

Corporations Famous Lies:

- ✗ You Can Keep All Your Employees
- ✗ You Can Keep All Your Current Employee Benefits and They Will Be Cheaper.
- ✗ You Can Keep Your Hospital's Name, We Won't Change It.
- ✗ You Can Keep Your Own Attorney, Lab, And Vendors, etc.
- ✗ We Will Allow You To Keep All Your Support Staff, Doctors and Management Personnel Just The Way You Have It Now.
- ✗ You Will Still Be In Charge

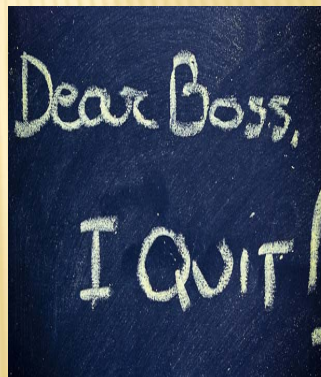
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Although mergers and acquisitions (M&As) typically begin with high hopes of success, not all do succeed.

Below are some statistics about practice sale shortcomings from Charlotte Laquoix, DVM, J.D.

- ✗ 65% of all M&As do not achieve objectives set forth by deal architects
- ✗ 83% of mergers do not increase shareholder value
- ✗ 50% loss of key managers and technical employees is experienced within 12 months
- ✗ 50% of failures are due to cultural clashes
- ✗ A full 50% of key managers and technical employees leave



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To Reduce Staff Stress and Paranoia, Do Not Say or Do The Following If You Decide To Sell:

- ✗ We don't anticipate making any changes
- ✗ Don't tell staff in advance of the sale
- ✗ We want to leave a legacy
- ✗ This is a merger of equals
- ✗ We plan to take the best of both worlds
- ✗ It will continue to be business as usual
- ✗ The culture of our two companies is very similar



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Suggestions If You Do Decide To Sell To A Corporate Consolidator:

- ✗ Ultimately, Its You & Your Partner's Decision!
- ✗ Know All Your Options
- ✗ Ask for a Letter Of Intent From the Corporation That Spells Out The Complete Sales Process From Start To Finish
 - + Including The Documents You Are Required To Produce During The LOI Process
- ✗ Ask For An Implementation Timeline in Writing
- ✗ Ask For A Post Acquisition Timeline That Includes What Will Be Done Each Month Post The Sale
- ✗ Know Who Will Be at Your Hospital From The Corp To Help Implement The Change Over
 - + You Need An Implementation Team Everyday For At Least 6 Months post sale
 - + Secure All Your Staff's Employment For As Long As You Can, In Writing.
- ✗ Be 1000% Involved, Don't Turn Your Back And Trust The Corporation To Do What's Right For You, Your Staff, Your Partners or Your Patients....
- ✗ Read Every Word of the LOI & The Contract!



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Suggestions:

- ✖ Each Hospital Is A Snowflake:
 - + Try To Sell To A Company That Knows and Understands Veterinary Medicine & Knows the Laws In Each State It Operates In & Understands That You Are A Snowflake.
- ✖ Ask To See The Corporations P & P Manual & Their Clinical Policies and Procedure Manual for their owned hospitals - FIRST!
- ✖ Know Your Rights:
- ✖ Get a good attorney that understands you and your contractual desires. Do not use the buyers lawyer!
- ✖ Visit A Hospital In the Corporation's Network For 3-4 weeks consecutively
- ✖ Don't Believe Your Colleagues That Just Sold. They Are Still On Their Honeymoon With The Corporation. Their Check Has Barely Cleared the Bank .
- ✖ Trust Your Gut.....
- ✖ Don't expect Your Baby To Be Your BABY Any Longer.
- ✖ Your Opinion Will Probably Not Matter Once the Sale Is Complete, Despite What they Tell You During The Sales Process.
- ✖ Ultimately, Its Up To You.
 - + If You Sell To A Corporation, Stay and Support Your Staff For At Least 5 Years.



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- Is Veterinary Corporatization Really “The Promised Land” We Hoped For?
- Is Veterinary Corporatization Really About The Care? Or Is It About The Money?
- Is This What Our Minority Partners, Doctors and Support Staff Signed On For When We First Painted Our Vision To Them?
- Is Veterinary Corporate Medicine Really The Promised Land?
- Look Back At The State Of Today's Human HealthCare Before Selling Your Practice.
- I Fear History May Be Is The Best Predictor Of The Veterinary Industry's Future!

