Healthcare Conglomerates & Their Threat to Small & Medium Size Independent Practices

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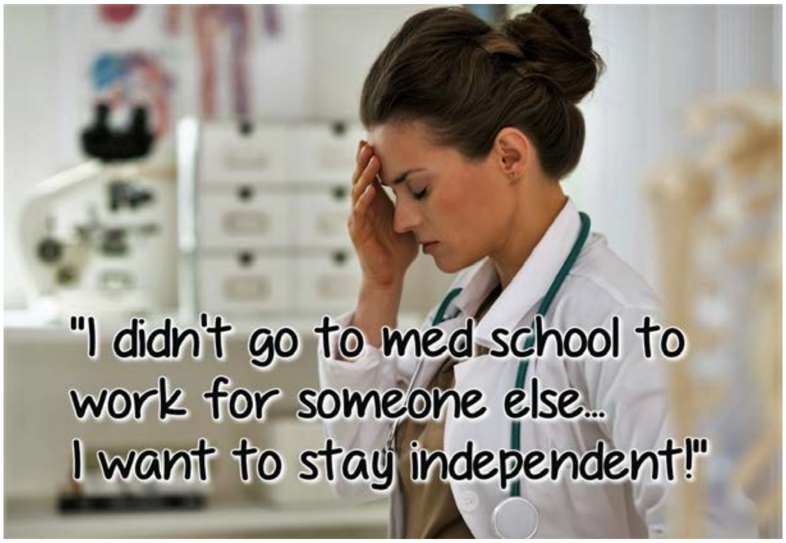


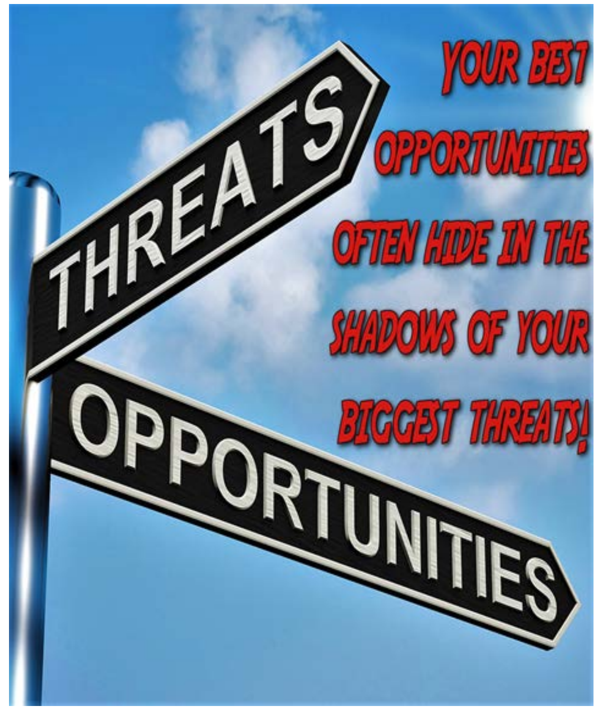
Healthcare conglomerates have permanently changed the business of small to medium size independent medical practices. This paradigm shift eroded the traditional standards of care, ethics, and accepted methods of practice due to the economic influence of this business model. Therefore, the economics of the independent medical practices are shifting away from benefiting the patient and physician to benefiting healthcare shareholders. For many older providers, the frustration of practicing in this new arena has led them to consider retirement sooner than planned.

Proof? According to the AMA, for the first time in our country's history, less than half of practicing physicians in the U.S. owned their medical practice in 2016.

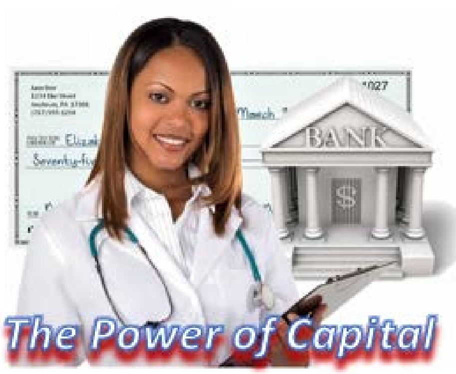
As all healthcare providers know by now, the largest driver of this radical change are national and regional healthcare systems wanting to control their market. In fact, everyone can clearly see this by just looking around and noticing the changing names on TV commercials, radio ads, billboards or just driving through the areas where their local doctor used to be.

Though these conglomerates are a threat, there are still ways for independent physicians to thrive. First, we'll look at 5 threats followed by 5 opportunities to help you not only survive, but to thrive!

The 5 threats to small-medium size practices by conglomerates are…



1. marketing departments that are experts in all media platforms and have a healthy budget
2. purchase all supplies at wholesale due to size
3. greater Revenue Enhancement Opportunities for additional income
4. starting pay is much higher, allowing them to recruit your staff or other associates right out from under you
5. access to great capital products which facilitate growth:
   - ✓ More liberal & more sources of patient financing promoting greater acceptance of higher cost procedures
   - ✓ Abundant Working Capital
   - ✓ Greater reimbursements through shorter collection times



In summary, the major threats of conglomerates to your small-medium size independent medical practice is their access to capital – and lots of it!

Because you are a small to medium size practice, when you walk into a bank, you don't get the same attention as the Chief Financial Officer of a large healthcare system gets when they walk in. However, you have the advantage of "quality of care", "community name recognition" and flexibility to adapt much more quickly than the large corporate structures to the changing healthcare economy.

It is critical that you understand the need for cash flow and liquidity, a.k.a. "Working Capital." Here are 5 Ways for Small to Medium Size Independent Practices to Use Capital to Survive and Thrive and Ward Off Conglomerates.

Fill in the gaps: Cash shortages come from slow-paying insurers and patients. But cash can also be short during certain times of the year, when your practice typically sees fewer patients. Right after the first of the year, for instance.

1. Boost everyday operations: To grow your practice, take advantage of every opportunity. You want to hire the best staff possible and sensibly invest in current technology and medical devices. You must market your practice to attract new patients, so if you haven't yet invested in a quality website, SEO (search engine optimization) and Social Media, now's the time. Prices for website development and SEO have come down sharply (see Fivrr.com) and Facebook lets you set your budget upfront and can cost less than $1/day. You may need to stock up on extra meds (e.g. back-to-school or flu vaccines.) This may require an extra infusion of cash – like a "booster shot" for daily operations.

2. Business expansion: Your goal is to grow your medical practice. Therefore, at some point, you'll need more space. You may want to…

→remodel
→move to larger facilities
→add another location
→purchase your building

If so, you'll need more medical equipment. And more people. This is a significant investment – usually more than you have on hand. Medical practice loans can provide that money.

3. Reduce debt: You probably use a variety of small business financing tools to manage your practice. Business credit cards, a line of credit, periodic short-term loans, perhaps you also have a commercial real estate loan. Debt sneaks up on you. Too much debt harms your practice credit score. And, of course, it diverts incoming cash. A bill consolidation loan can give your practice the working capital to reduce your debt load.

4. Disaster recovery: Sometimes working capital loans are a survival tool. You can't control everything that happens in life. Suppose your facility suffers a disaster of some type (not hard to do in 2017.) Or your practice loses a key partner. These things have an immediate negative

effect on cash flow. You need money for repairs or to bring on a new practitioner. You also need money to carry you through this transition. The right business financing can get you that money, right away.

5 Startup Funding: Whether it's right out of medical, dental or chiropractic school or looking for growth potential, the best opportunities many times are starting an entirely new practice, acquiring other practices and/or merging. Today it's more lucrative than ever to take full advantage of the increased revenue available in an integrated practice. Opportunities exist across the medical, dental and chiropractic landscape.

In conclusion, the threats of conglomerate takeover and your survival and even prosperity as a small to medium size independent medical practice can be mitigated through the proper acquisition and use of capital.

The Success of your funding: Requires careful selection of a funding source. Your due diligence should include an under-standing of the depth and breadth of experience and capital network.

Your solution!

You will want to find a funding source that can offer you a range of traditional bank financing (at preferred rates of course), current asset funding, government guaranteed options, "full doc" to "lite doc" loans and more. Said firm should have healthcare funding experience as well as healthcare advisors on staff. They should offer you a Practice Discovery and be able to make recommendations for revenue enhancement and accelerated payback.

You'll have to work too. As you interview funding partners, find one who will assist you in creating a budget, but also in identifying the following:

- Amount of funds needed
- Identification of financial product(s) required
- Funds acquisition method
- The options for funding sources
- Revenue enhancements for the specific practice

Feel free to contact me if you have any questions or comments about this article or if I can put my 3 decades+ of commercial lending and healthcare background to work for you.

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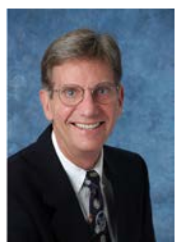

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