Buying in

AMANDA LYONS

Becoming part of an established practice can offer a more accessible option for GPs interested in ownership.

Australian general practice was largely a ‘cottage industry’ until late in the 20th century, with most practices owned and run by solo practitioners, or GPs operating as partnerships or groups of associates. Since the 1990s, however, general practice has undergone a process of corporatisation and only about 25% of Australian GPs are currently principals or partners in their practice.

Recent evidence has found that, while many general practice trainees regard ownership with trepidation, many are still interested in the possibility. But a lack of training in practice management and the business side of ownership, as well as concerns it would prove a financial burden and have a negative impact on work–life balance, often serve to discourage this interest.

Dr Columbine Mullins, GP and sole practice owner, certainly found the concept intimidating early in her career.

‘When I thought of running my own practice, I thought of the big corporate practices and [ownership] just seemed too unattainable,’ she told Good Practice. ‘I was always interested in it, but for a few years there it seemed like a huge task, especially for myself, who had no real business knowledge or any training.’

While the idea of starting a practice from scratch may understandably seem intimidating for many, there is another option: taking over or buying into an already established practice.

‘In some ways, it’s so much less overwhelming than planning your own practice and figuring out where to go to try to get patients and things like that,’ Dr Mullins said. ‘[Buying an established practice] made it comparatively easy for me to step into.’

Benefits of ownership

Terry McMaster, an accountant and solicitor with almost 30 years’ experience working with GPs, believes the advantages of practice ownership are significant.

‘Owning all or part of a practice is the best investment a GP can make,’ he told Good Practice. ‘Some non-owners may underestimate the additional profitability and what it compounds to over 30 years of working life.

‘At my firm, we are often asked, “What should I do, buy a home or buy into a practice?”

Management toolkit

The RACGP’s General practice management toolkit is a guide and reference for GPs and practice managers that is designed to provide business advice tailored to a modern general practice setting. It consists of 13 modules, from professional career management to closing a medical practice.

Visit www.racgp.org.au for more information and to access the modules. RACGP members can download the modules for free via the website.
My answer has become, “If you buy into a practice, you can buy a home, too. The extra profit from the practice will more than pay for the home.”

Dr Bryan Johnston is a Scottish GP who owned a practice in the UK before migrating to Australia in 2010. After gaining permanent residency, he bought into an established practice in Victoria and has found that ownership offers an increased level of financial stability on a day-to-day basis.

‘Prior to buying in, when I didn’t work I didn’t get paid,’ he told Good Practice. ‘So when I went off on holiday, for example, there were two or three weeks when I wouldn’t have any income coming in.

‘[Now] I get income from the practice in addition to what I’m earning as a GP, so there’s more financial certainty.’

Purchasing or buying into an established practice also offers a relatively high degree of investment certainty.

‘The bank could see the practice’s accounts and books over the previous two or three years and see that it was a stable and improving enterprise, so it was a no-risk investment,’ Dr Johnston said. ‘I had to take a loan out to buy in, but the bank was more than happy to lend the money.

In addition, practice ownership provides a number of non-financial benefits.

‘It offers control, in the sense that you can actually run a practice that suits your lifestyle,’ McMaster said.

Dr Mullins has particularly appreciated this aspect of becoming a practice owner.

‘You can create the atmosphere and the environment that you want to be working in,’ she said.

Dr Johnston also enjoys the greater depth of involvement offered by practice ownership.

‘If you’re a partner in the clinic, you are able to get involved with the staff and change systems,’ he said. ‘I find it quite satisfying to be involved in the organisation, rather than just turning up to work, seeing patients and going home again.’

Expert advice
McMaster recommends that while most sales of established practices are relatively straightforward, it pays to have an experienced professional on hand to scrutinise the legal and financial details.

‘Problems can come up,’ he said. ‘For example, if the practice is in leased premises, without adequate due diligence on the leasing contract the GP might find themselves without space at the end of the lease.

In McMaster’s experience, most issues that arise in sales of this type are not of a ‘sinister’ type, in which the vendor is trying to mislead the buyer.

‘But they are things that may not be obvious to the doctor, and that’s why you need to have a competent commercial lawyer who is experienced in buying and selling businesses,’ he said.

McMaster advises aspiring GP–owners to, if possible, work in the practice they are thinking of buying before completing a sale.

‘That is the best due diligence you can do because if you’ve been there you are going to know how busy the practice is,’ he said.

‘You’re going to know what the patients are like, if the place is growing or contracting, whether the founding doctor of the practice is a good or bad doctor, just by being there for a while.’

Dr Mullins took this course of action, working at her soon-to-be-new practice for two days a week while developing a plan for a transition of ownership between herself and the original owner. This process allowed her time to learn more about the business side of the practice, but also to familiarise herself with patients.

‘Getting a whole heap of new patients is actually quite exhausting,’ Dr Mullins said. ‘So that was challenging just as far as the medicine goes, because everyone was new to me and I was having to sift back through everything to find out what [treatments] had been done before and what hadn’t.

‘Having that lead-up period [before taking ownership] made it a lot easier.’

Dr Johnston had worked at his practice for several years before buying in, which also helped to make his decision an easy one.

‘I knew the personalities in the clinic, I knew how the clinic worked,’ he said. ‘I was aware of the direction the clinic was going, so I was buying into a known entity and not having to set up afresh and hope things would work out.’

While it may be tempting to make sweeping changes as a new practice owner, McMaster advises that it is best to approach change carefully.

‘Even if you don’t agree that the [existing processes represent] best practice, go slowly and cautiously,’ he said.

‘Staff will be on notice, so the whole idea is to reassure them and make any changes slowly.’

Dr Mullins appreciated the institutional knowledge provided by the existing staff members when she took over her practice.

‘Having staff who have worked here for a long time has been fantastic, because they already know how the place works,’ she said.

‘That’s been really useful for me, because I can focus on clinical work a lot more.’

Dr Mullins also found that while she would have liked to change some aspects of the practice immediately, it was best to be more reticent.

‘Where there’s change involved, that’s often hard for anyone,’ Dr Mullins said. ‘As a new boss, I didn’t want to be this person coming in with very limited experience and changing everything. So it’s really about trying to tread carefully and picking your battles.’

— Reprinted from Good Practice Issue 5, May 2017
‘Certainly, I would have loved to have come in and changed the décor and done all that fun stuff. But I decided early on that the main thing had to be quality patient care; change what’s necessary to improve the quality and then the rest of it can change later.’

‘I just feel I can do more having bought in than otherwise; I feel more involved,’ he said. ‘And that just makes [general practice] a more rounded experience for me.’

Owning all or part of a practice is the best investment a GP can make

While the process of taking over an established practice and becoming her own boss has been challenging, Dr Mullins feels all of her efforts have been well worth it.

‘It has added another element of interest to general practice,’ she said. ‘Even just being a bit more aware of resource allocation and areas like that, it adds another dimension that’s quite interesting.

‘The practice becomes more special and important to you. I feel a lot more invested in it.’

While Dr Johnston acknowledges that practice ownership may not suit everyone, he has found it personally fulfilling.

References

Other resources
The RACGP offers a range of resources for GPs who are seeking information and advice on business and practice management issues:
• For more direct learning, all RACGP faculties offer face-to-face courses and workshops, as well as webinars for owners and practice managers. Visit www.racgp.org.au to search courses available in each state.
• The RACGP Specific Interests Business of General Practice network offers support, education and advocacy for its members. Refer to the column on page 26, and call 1800 090 588 or email gpsi@racgp.org.au for more information.

---

JAGUAR F-TYPE
THE LAWS OF PLEASURE. REWRITTEN.

2018 F-TYPE COUPÉ FROM $460 PER WEEK*. APPLIES TO ABN HOLDERS ONLY.

The new 2018 Jaguar F-TYPE Coupé delivers incomparable driving enjoyment and pure exhilaration. Experience it now from $460 per week or $1,990 per month. Zero deposit with a 5.83% Finance Rate*. Residual/ Balloon payment applies^.

As a valued member of the Royal Australian College of General Practitioners, you are entitled to 5 years/100,000km complimentary servicing on the purchase of any new Jaguar. For more information, contact Car Assist on 1300 119 493.

THE ART OF PERFORMANCE
Model shown and quoted, 2018 Model Year Jaguar F-TYPE Coupé RWD, Manual Transmission, driveaway price $132,000. Finance Terms of $460 per week with equivalent monthly repayment of $1,990 is based on a Commercial Goods Loan of $132,000 for a term of 60 months. *Zero deposit ($0) with a residual payment of $39,600 required. ^5.83% p.a. finance for ABN holders only (excluding fleet, government and rental buyers) terms & conditions apply. Finance is provided by Jaguar Financial Services, a registered trading name of Jaguar Land Rover Australia Pty Ltd and is operated under license by St. George Bank - A Division of Westpac Banking Corporation ABN 35 007 457 141 Australian credit license 233714.