

Four Considerations When Merging with a Large Hospital Group

The medical industry is undergoing major changes and the number of small



physician groups joining larger hospital systems has increased in recent years. There are many benefits to merging your medical practice with a larger system but there are many things you must consider before doing so. In today's post, we will cover four important things you should be thinking about.

Autonomy The first and probably most obvious consideration is the level of autonomy you desire in your day-to-day lives. Many small practice physicians enjoy their independence and ability to run their practices the way they choose. At the same time, those physicians often dislike overseeing business operations like management and accounting. A benefit of joining a larger group is the ability to hand off those responsibilities to the group's management. However, by joining the larger group, your practice must abide by the system's rules and regulations and your level of autonomy will certainly diminish.

Compensation & Benefits When a hospital group approaches your practice they will likely highlight an increased level of pay for you and your fellow physicians citing their leverage with payers in the market. This might be the outcome after some mergers, but it is not a guarantee. Your practice should carefully review the hospital's fee schedule for the top 10 CPT codes billed in your practice areas. You should also enquire about the administrative or general overhead costs the hospital will charge to your practice which can be thousands of dollars per month. Further, understand the components of the compensation offered to you and whether any fixed monthly payments are guaranteed or are simply advances against any formula for compensation that might have to be paid back if the formula compensation turns out to be less than the advances. And just as with non-medical mergers, you must carefully examine the changes to your benefit plans and other rights that you might be giving up such as payments following withdrawal or death.

Restrictive Covenants Non-compete agreements are common in many industries, especially in the medical industry. While operating independently you probably don't have a non-compete in place and it is possible that even if you have a few partners, you still might not have a non-compete. However, if your practice joins a larger group you will almost certainly be required to sign a non-compete agreement that would restrict your ability to practice outside of the hospital within a certain geographical area of the hospital. Further, if your practice is being purchased, make sure a health care attorney reviews the deal to ensure the payments to you in exchange for your non-compete don't violate the Anti-Kickback Statute.

Assignability of Lease Agreements Lastly, if you currently lease your office space and medical equipment, the hospital system might request that you assign the lease to the larger system. In many cases the landlord and your other creditors will allow this given the size of the larger group. However, if the situation does not work out and you want to become independent once again, you may discover that the hospital might have a hard time assigning the leases back to you because the landlord and creditors will desire the financial strength of the larger system over the financial strength of a small medical

practice. If you are thinking about merging your practice be sure to contact one of our Health Care Attorneys today to discuss your options and what you should be thinking about in the process. Image: Thinkstock/Hope Milam **This article is very general in nature and does not constitute legal advice. Readers with legal questions should consult with an attorney prior to making any legal decisions.*