

OBM General Meeting #2 (10/21/2021) - sponsored by Dental & Medical Counsel

Reminders:

- \$25 membership fee for food, t-shirt, and raffles

[6:10pm - meeting starts]

Topic #1: "Preparing for Practice Ownership, Starting from the Ground Up" (Ali Oromchian)

Why this class? Why now?

- Best way to be financially independent is to own a practice
- Don't be in a rush to pay off debt until you buy a practice
- Be flexible in your payment plans
- Work in different practices to learn about what other employers do right (1-3 years, but not forever!)

1. Your first employment agreement:

- For your first job...both independent contractor and employee roles are fine!
- Contract term:
  - You want it to be 6months - 1 year; auto-renew contract
  - Read your contract carefully!
  - Know how your contract end
  - Always negotiate
- Contract confidentiality:
  - Do not take patient records with you
  - Suggestion: don't work in the same location as the location you want to buy a practice in
  - Do not solicit patients or employees
- Contract restrictions:
  - Some contracts tell you not to work in multiple locations
  - Some places forbid you from using your name in another practice (so that patients don't follow you and go away)

2. Buying a practice:

- Letter of intent:
  - Details of the purchase - negotiate!
  - Eventually transfers over to the purchase contract
- Due diligence:
  - Do your own homework/research on the practice
  - Three kinds:
    - a. Financial (bank, CPA)
    - b. Legal (lawyer, contract, lease etc.)
    - c. Practice management (consultant, look at practice data)
- Closing

### 3. Startup:

- Building something from scratch
- Lease:
  - Location - what community do you want to be in?
  - Commercial broker - get someone experience and professional
  - NNN vs. full service - NNN is the worst and most common kind of lease to sign (pay fair share of all expenses of the building); full service is the best and least common
    - This does not mean you should walk away from a good location just because it's NNN - can always find someone to help you negotiate

### Legal entities:

- In California - must be a corporation
- Hire professionals for this

### Topic #2: "How to Buy or Start an Optometry Practice" (Jason Greenland)

#### Developing your goals:

- Acquiring a practice:
  - Finance: equipment, practice purchase, operating capital, upgrades
  - Pros:
    - Immediate cash flow
    - Know practice revenue and costs in advance
    - Easier road to ownership
  - Consider:
    - Equipment and office may be out of date
    - May have to transition patients and staff to a new philosophy
    - May inherit problems
- Starting a practice:
  - Finance: equipment, tenant improvements, operating capital
  - Pros:
    - Being in charge
    - Potential for greater profits
    - Creative freedom
  - Consider:
    - Must develop a patient base
    - Cash flow is not immediate

#### Assembling your team:

- Team of advisors (lenders, attorney, accountant, commercial real estate broker, general contractor, others - architect, marketing etc.)

#### The business plan:

- Consider "must haves" and "nice to haves"

- Figure out what you want, what you need, and who you will be serving
- Content:
  - Executive summary
  - Practice description
  - Market demographics
  - Competitive environment
  - Management and operations
  - Marketing
  - Financial forecast

Manage your financial profile:

- Prepare yourself beforehand!
  - Good credit - five C's
    - Character
    - Collateral
    - Capital
    - Condition
    - Capacity
  - Protect your identity
- Student loans:
  - Only improves cash flow if paid off completely
- Manage your monthly expenses

Practice valuation:

- Tangible assets vs. intangible assets
- Value is a function of net income and risk
  - Therefore higher risk = lower value, e.g.:
    - Vintage equipment
    - Turnstile staff
    - Technology deficient
    - Poor accounts receivable management
    - Few new patients
  - Higher net income = greater value

Q&A:

- When you're buying a practice, do you use the same lender for both the location and the practice?
  - Usually both real estate and practice lending are handled by the same bank
- What is a good % of startup cost for a good team?
  - A lot of advisers don't cost anything upfront
  - Some have upfront costs, but it really depends
  - You want to spend enough to get yourself on the right track
- Where do people start in this process of finding a good team?
  - Bank or lawyer is usually a good starting point

- When is a good time to leave a practice?
  - You don't want to leave to something not as good
  - Planning is key
  - But also understand that staying somewhere too long will make it harder and harder to leave
  - Also - there is no good time for starting a business! Sometimes you just gotta go for it (sometimes waiting makes everything worse)
- How many years out of school should we start considering getting our own practice?
  - 2-5 years
- How easy is it to get a loan as a fresh grad?
  - Need at least one year experience
  - Usually - houses are not taken as collaterals
  - Save money for the first couple of years
- Independent contractor - how does that work?
  - Unfortunately - we don't always get the freedom as the independent contractor
  - But keep in mind that it is the employers that take on the risks

[7:45pm - presentation ends]

Things to look forward to:

- Jan 2022 - networking with ODs (VSP)
- Apr 2022 - private practice path to personal fulfillment (Dr. Tim Trinh, Vision Source)
- May 2022 - myopia control in different settings (Dr. Justin Kwan, CopperVision)

[7:50pm - meeting ends]