

WHO REALLY OWNS YOUR ANESTHESIA GROUP?

Mark F. Weiss, JD

The Mark F. Weiss Law Firm, Dallas, TX, Los Angeles and Santa Barbara, CA

Walmart is famous for its slogan “Save Money. Live Better.”

It’s no surprise that the slogan is aimed at the customer.

But have you ever wondered about the supplier?

There is a tremendous analogy here for medical groups of all stripes and for anesthesiology groups in particular.

LOWER PRICES. EVERY DAY.

From the inception of its business, Walmart employed a low-price strategy. And, it’s certainly no trade secret that the way Walmart *sells* at low prices is to *buy* at even lower prices—in fact, at the lowest prices.

To get those lowest prices, Walmart is willing, and quite able, to buy in very large quantities. And, therein lies the twist, the twist tie, if you will, for its suppliers, and, by analogy, you will see, for you.

Manufacturers, as they began selling to Walmart, craved the large distribution



the chain offered. They’d assess how much Walmart would buy, and look at how many stores Walmart would put their product in. In order to get access to the Walmart business and the tremendous distribution, the manufacturers would then sell to Walmart at reduced prices—in fact, at their lowest prices.

As a result of capturing Walmart’s business, many suppliers thought they

Continued on page 4

► INSIDE THIS ISSUE:

Who Really Owns Your Anesthesia Group?.....	1
Coronavirus: A Game-Changing Event	2
Internal Audits: Process and Frequency.....	3
Governance Traps and Tricks	6
Profile of an Anesthesia Ketamine Clinic	10
“Boutique” Anesthesia Services	13
COVID-19: Historic Breakthrough in Telemedicine	14

Anesthesia Business Consultants is proud to be a

MiraMed
Quality Payment Program
CMS-APPROVED Qualified Registry

Anesthesia
Quality Institute
PREFERRED VENDOR



WHO REALLY OWNS YOUR ANESTHESIA GROUP?

Continued from page 1



had reached the promised land. Their sales shot up. Sure, margins on those sales were slim, but the quantities were stupendous. But that was just the start.

Once Walmart became a bigger and bigger and even biggest part of a supplier's business, Walmart continued putting the pressure on. They knew that the supplier was so dependent upon Walmart for their huge volume and reach, that they could push *even harder* for *really* low prices, and then for *really* lower prices, and then for *really* lowest prices.

In a very real sense, far beyond the colloquial, many manufacturers became "owned" by Walmart. The twist ties that bound them to Walmart got tighter and tighter. Their margins were on a starvation diet, but quantities were super-sized. And, if they lost the giant chain's distribution, the shock of the resulting excess capacity might pull them under.

ARE YOU A METAPHORICAL WALMART SUPPLIER?

If you're the leader of an anesthesia group, it's often much the same story. That is, if you've allowed your business to become dependent upon a single hospital or even a single system of hospitals.

If that's the case, then who really owns your group? Is it really you and your partners? Or, in essence, does the hospital or the system "own" your group in the same way that Walmart "owns" the suppliers who've become dependent upon their business?

At the extreme end of the continuum, if the hospital or system administrator were to tell you that they've decided that it's in their best interest that, as of a month

from next Tuesday, all anesthesia services will be provided by Best PowerPoint Anesthesia Group or through the anesthesia department of Nearby Giant University, so you'd better go cut employment deals, what other viable alternative would you have? Likely, none.

Short of that doomsday event (but one that happens more often than you might imagine), the same dynamic plays out whenever a hospital makes a demand on a dependent group. From "we're cutting your stipend" to "we want you to expand coverage," what choice do you have other than to say "yes"? The alternative, of course, whether spoken or understood, is that you'll soon be an "ex-vendor."

Should you attempt to sell your group, if you've become that dependent on one large source of business, what sort of a discount will the buyer demand due to your huge, "baked in" fragility?

The real question is, have you, in essence, given away the ownership of your practice entity by falling into the "Walmart" trap?

Do you and your fellow physician "owners" really own what you think you own? 



Mark F. Weiss, JD is an attorney who specializes in the business and legal issues affecting physicians and physician groups on a national basis. He served as a clinical assistant professor of anesthesiology at USC Keck School of Medicine and practices with The Mark F. Weiss Law Firm, a firm with offices in Dallas, Texas and Los Angeles and Santa Barbara, California, representing clients across the country. He is also the co-founder of a healthcare mergers and acquisitions advisory firm, Steering Advisors. He can be reached by email at markweiss@advisorylawgroup.com or at markweiss@steeringadvisors.com.

