Good News: The "First True Podiatric Super Group" Is Alive and Well

Super Group pioneer Dr. David Helfman talks about his successful model

BY ELLEN R. DELISIO

While some practitioners may disagree, super groups are the best way for podiatrists to anchor themselves in the churning sea of healthcare changes as well as increase their profitability and patient appeal, according to Dr. David N. Helfman, DPM, FACFAS, chief executive officer of Village Podiatry Centers, PC, in Atlanta, GA, and a lecturer on the super group model. "Super groups are here to stay," Helfman told *Podiatry Management.* "The solo-physician model is ill-equipped to deal with the integrative-type of approach that the government is pushing on the healthcare industry."

A super group pioneer, Helfman said that he thinks his 10-year-old Village Podiatry Centers, a division of Extremity Healthcare, Inc., with 25 locations, is the first true super group created in podiatry. "I did this not by accident, but to be prepared for the changes in healthcare coming down the road," he said. "Our model is creating a lot of interest around the country and is focused to help provide a comprehensive solution to healthcare."


Dr. David N. Helfman

Comprehensive Resources

The Village Centers have about 36 physicians and their resources include a pathology lab, MRI and surgery centers, anesthesia services, and even real estate and research resources. "We are truly shareholders and all function under one tax identification number and can do just about any type of business venture under our corporate structure," according to Helfman. "From a valuation standpoint, we have received a lot of attention and it really does offer the partners the ability to liquidate when they retire. The key here is that all the physicians are owners of the company and all the ancillary divisions. In addition, there are all kinds of compensation methodologies allowed when you are considered a true group practice. The true SuperGroup model that I am promoting is both a wealth creation model for physicians and at the same time a solution to the rising costs of healthcare."

In many ways a super group operates the same way as a group practice, but with more patient services. "I am talking about truly large practices in which there is common ownership under one tax ID number," Helfman said. "A true super group model is one that owns all its own ancillaries, such as surgery centers, pathology labs, imaging centers, anesthesia services, or-

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thotic labs and other specialties," he continued. "Merging practices just to become large without the development of these essential ancillaries really doesn't provide a benefit to a physician or any real value creation for the future."

Establishing a Super Group

There are two ways to establish a SuperGroup, according to Helfman. In one approach, the group operates like a practice without walls and in the other, physicians form a true large group practice. "I am in favor of the latter one," he noted. "In the former, physicians come together under one tax ID number in what I would call divisions. Each state has different levels of scrutiny; however, if you follow the federal statutes you will most likely comply with your state laws.

"What happens is that groups of doctors get together in divisions that have at least five members in order to share in DHS-related revenues," Helfman added. "A larger group is established and shared management expenses are paid based on some kind of utilization or revenue formula. In this model, each division maintains its own autonomy. I have seen this work well with a group of orthopedic surgeons in Tennessee who really didn't like each other but felt they needed to join together for financial reasons."

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Helfman noted he is in agreement with Dr. Jon Hultman's analysis of the advantages of practicing in a Super Group (See the preceding article). "Dr. Hultman is 100 percent on the money and I agree with all of his points," said Helfman, "although I would like to add a couple of my own. I am not familiar with Dr. Hultman's model; however, I believe that he is very strong in the area of efficiencies and practice management from what I have read and what I have heard from him. My main concern is that most small businesses (defined as any business under 50 million in annual revenue) mainly focus on a tactical approach to managing their companies, which means they focus on cash flow, operations, making payroll and just blocking and tackling on a daily basis."

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Look to the Future

The key to a successful super group model, Helfman continued, is to always look toward the future. Set up three, five, and 10-year business plans that will involve a significant strategic or liquidity event and that will focus heavily on building a model that makes itself very attractive to the investor community. "I would say that if you can keep your group at a consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBIDTA)[a measure of a company's operating cash flow], above 20 percent, The Super Group is going to be very profitable. You need to make sure that you have the right team assembled to make this happen. What I mean is that you need the right CEO, COO, CFO and board of directors—and not a board filled with doctors, but one filled with businessmen who have built and sold companies, and even taken some public."

In his role of CEO of Village Podiatry Centers, growing the group at 30 percent-plus per year and keeping the EBIDTA above 20 percent is something that he focuses on every day, said Helfman. "It's our CFO's job to make sure the mergers we do fall in line with our end game, add value to our shareholders, and keep our numbers in line to stay attractive to investors."

Super Groups Vs. IPAs

Another advantage of super groups is that they can create true wealth for their equity physician owners and offer much more flexibility when it comes to recapturing ancillary revenues that normally would be passed on to other providers, according to Helfman. The independent physician association model (IPA), which has been so popular with podiatrists for so long, has run its course, Helfman maintains. "An IPA limits what you can do entrepreneurially due to strict rules and regulations," he said. "Most IPAs are affiliated with hospitals, and while you will gain traction on better contracts, that is about all you will get. IPAs don't answer the question, 'How do you work smarter and not harder to create more wealth?'"

The IPA model was developed for the purpose of putting podiatrists together to get leverage with the managed care companies, according to Helfman, but it is no longer the most beneficial arrangement for practitioners. "You can't create shareholder value and wealth with the IPA model due to regulatory issues from the federal government," he said. "IPAs worked at one time and are being tried in certain areas of the country, but they are being led by hospitals. Physician IPAs, in my opinion, are a waste of time and money; and although they were popular 15 years ago, take a look at Vivra and some other IPA companies, and you will see that their path led to a dead end.

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Research First

Podiatrists interested in forming or joining a super group should start by researching the set-up and operations of these groups, advised Helfman. "I would recommend that you educate yourself as much as possible, and your best bet is to join a group that has a vision for wealth creation and will offer you the most opportunities," he said. "I have met with so many groups that want to be a part of our model. This tells me that we are on the right track. I am doing meetings all over the country, and I would urge anyone wanting to do this to come to one of my lectures on the SuperGroup model. I also would urge you to meet with other consultants doing this and then make your decision. The Physician's Business Academy, LLC, was a way for me to disseminate this information to the profession at a very reasonable rate, since we have a large list of sponsors and it will provide every resource, referral, or tool needed to develop a SuperGroup model."

Without research and guidance, implementation can be lengthy and frustrating. "This process, although quite straightforward and simple, is not simplistic," according to Helfman. "Now, the worst thing you can do is get a bunch of egos in a room with a lawyer or consultant, without any historical data or experience. All you will do in that situation is spend or waste lots of money and spend your time politicking and not moving forward. Each doctor will have his or her own idea without having any experience on putting this together. Doctors are smart and that can be a detriment in this process."

Seek Assistance

In seeking assistance, recruit someone who can point to successful Super Groups in which he or she played a role, he added. "Beware of any advisors who haven't done this before, and make sure they aren't getting their education on you," he said. "Visit all the large groups and decide which ones are the best fit for you. Not everyone is cut out for the large group practice, and sometimes being smaller and staying in your comfort zone is what you need to do."

Some adjustments will be necessary for members new to a group. Practitioners in Helfman's group had to accept that some podiatrists were more involved in the group than others, and people cannot be paid based on the volume of referrals for ancillary services, he said.

The effort and diplomacy that go into forming a super group still make it worth it, maintains Helfman. "Do it, do it and do it!" he said. "You can triple your income if you do it properly, while providing a solution for the rising cost of healthcare. If you are joining a big group that doesn't have a track record of functioning as a true SuperGroup, and it says it is, well, ask them what is the value creation they are providing you if you join the group. Being big again without ancillaries is very limiting and doesn't offer great future value or a real wealth-building strategy." **PM**

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