



Episode 21: The Physician as an Entrepreneur with Jerry Kelsheimer and Ronnen Isakov of Medic Management Group

David Mandell:

Hello, I'm David Mandell, host of the podcast. Welcome to today's episode. I'm excited about today's episode. We have two experts from a firm that helps a lot of physicians, and I think those of you listening will get some good nuggets out of this broadcast. So thanks for being on.

Let me tell you about our two guests. I'm going to go through their bios. A little bit condensed, but there's a lot there, and we'll have the full bios in our show notes, so make sure you take a look at those links.

So our two guests today, one is Jerry Kelsheimer. He's the president of Medic Management Group. He's been there since 2018 in his role. He's responsible for strategic planning, corporate growth and development, and supporting clientele and achieving their business objectives. He leverages his expertise to increase client's financial returns, enhance revenue cycle efficiency, mitigate and manage risks, and improve patient outcomes, and satisfaction.

Prior to his current role, Jerry served as managing director and principal of Exodus Capital Partners, and he also had roles at Fifth Third Bank and Huntington National Bank. He has his Bachelor of Science and Finance from Indiana University, and is a graduate of the Huntington Executive Leadership program at Fisher College of Business at the Ohio State University, and he's on the boards of the University Hospitals Health System, University Hospitals Cleveland Medical Center, and a number of other institutions. So, and again, you can get his full bio from the show notes.

Ronnen Isakov, is managing director Healthcare Advisory Group at Medic Management Group. And he has more than 25 years of experience in the healthcare industry. He oversees consulting, operational and financial services at Medic Management Group. His focus is on hospital-based, and system aligned medical practices as well as independent medical practices across the country, so obviously very relevant to our audience here. His expertise includes for-profit, and non-for-profit entities, and his focus is on physician compensation plans, do diligence reviews, practice valuations, and forecasting market valuation analysis, management, budgeting, operations, and reimbursement consulting within the healthcare, and medical industry. He has his Bachelor of Science degree from the University of Toledo, and he is a member of a number of CPA organizations, including the National Association of Certified Valuators and Analysts in the American Health Care Association.

So with that, Ronnen and Jerry, welcome to the program.

Jerry Kelsheimer:

Thank you. It's great to be here.



Ronnen Isakov:

Thank you very much.

David Mandell:

It's great to have you guys. So, the theme of today's talk or today's discussion, which comes up in a lot of our past interviews that I've done with physicians themselves is the physician as entrepreneur. And in fact in our first year of this podcast, I've chosen a lot of our OJM clients and docs that I've known who have an entrepreneurial streak in them, either in creating their own practice, or some other venture. So that's the theme here. Before we get into a couple of questions about entrepreneurialism and those things, I've read your bios, but maybe in a little more plain English, what do you guys do in helping with docs every day? What challenges on a typical day are you helping physicians with? Ronnen, we'll start that with you.

Ronnen Isakov:

Sure. David, first, thank you for the invitation to be on the podcast, I'm really looking forward to it. So MMG, as you mentioned, we are basically a physician centric managed service organization. We really are working with our physician clients on a day-to-day basis, helping them operate, manage their practices, helping them look at alignment opportunities if they are in that area with hospital systems, or other large independent practices. And we're doing this all over the country. We do a lot of, as you mentioned, some valuation work, helping our practices bring on new providers, or looking at some strategy on exits, or what they want to do in the future. So very much at the base of many of our groups is that entrepreneurial mentality of many of our practices. So I think for us, this is right up our alley on this topic.

David Mandell:

Excellent. And Jerry, why don't you take a moment talk about what you are doing with docs on a day-to-day basis.

Jerry Kelsheimer:

Sure, David. And again, thank you very much for having us today. It's great to be with you and also good to be with your audience. It's a real honor to be on today's podcast. So, as Ronnen said, MMG is an advisor to independent system owned practice groups, as well as health systems on a national basis. To be a bit more granular, we would engage with our clients as a consultant, or an advisor partner in things such as strategy and planning, project management, and the actual execution of plans that may be made, supported transactions, compensation, valuation work, payer negotiations, and much more.



Additionally, we serve as a back office service provider, and most of us think of that in terms of conventional back offices with the term MS so embedded, that is in fact what we are, a revenue cycle outsourcing solution for clients, and provide other conventional back-office administrative services. But added to that, what I would characterize as really preparation for practices to develop infrastructure to support the demands of the value-based environment of tomorrow. So application of data, and actionable data technology, as well as talent.

David Mandell:

So in terms of getting beyond the jargon, for some of the docs they may understand all that, but for those who don't, so let's say they have a practice and they're looking for help, it sounds like you do anything from figure out how they're going to compensate new docs who come in, or review what they've got and maybe try to improve it because there's some problems bubbling up, or I remember Jerry, you had told me one time in a conversation that a practice lost their practice manager CEO, and you guys acted as the temporary CEO, and helped them hire a new one. It's a lot of big range of issues, and problems that you help practices with either on a short-term basis, or a continuing basis. Would that be accurate?

Jerry Kelsheimer:

Yeah, you have more or less summarized it, as we're focused on the business of healthcare for our clients, so that our clients remain focused on patients, clinical execution, quality and outcomes.

David Mandell:

Got it. So, anything that's business-related you probably have somebody in the firm that can help them on that?

Jerry Kelsheimer:

That's correct.

David Mandell:

So let's talk about the entrepreneurial focus, that theme for a second. What do you think makes thinking like an entrepreneur, that mindset, more important for the physician today here in 2021, than might have been in the past? What do you think about that?

Jerry Kelsheimer:

David, I start with just the simple definition of an entrepreneur. An entrepreneur is one, by definition that takes above average risk to generate above average returns. And I'm guessing our physician listeners today would agree with me in my statement today. I think the business



and the practice of healthcare today, it does involve risk. Perhaps more than it ever has in various ways. And for sure offers return for those that are consciously and purposefully looking to take advantage of it. We're much more so today than we would have been in periods past in an environment where the consumer has access, has information, and demands certain things of providers. It's an increasingly competitive marketplace with new entrance to the delivery space.

We have a less predictable environment perhaps than we've had at times in the past, regulatory compliance, payer behavior, et cetera. And in all of that as a physician entrepreneur, we could say there's value to be created and had, also potentially value to be diluted and lost. So important, we'd say to our clients to remember that the physician today, maybe more so than ever, is competing with business people who are focused on things such as industry consolidation and integration. Patient, and consumers, and payers have become more and more sophisticated. We compete as healthcare providers with those business interests that are looking to create new revenue streams, as well as lock down and lock others out to preserve their own revenue streams. And as you mentioned earlier in my comments about the MSO framework, we're operating and will I think, continue to operate much more of a value-based arena where risk taken stands to be rewarded. So bottom line physician entrepreneurs act and execute the mission, and also to create value with that value serving to preserve mission, and ensuring alternatives over time.

David Mandell:

Ronnen, let's just say I'm an orthopedic surgeon, or urologist, or ophthalmologist, and I'm in a group of five docs or 10 docs, 20. What would separate my thinking, or what would be an example, or this group is thinking entrepreneurial, this group is not? Obviously they're spending most of their time seeing patients and all of that, but what do you see that tells you this group is thinking that way? Is it the way they are asking questions about opportunities they're not doing today? Either of you take that however you think it makes sense.

Ronnen Isakov:

Sure. I'll take a first stab at it and it's 100% right. And I think it's the thinking and doing what we've seen within the practices. I think when you look at the landscape of privately owned entrepreneurial independent practices versus employed groups, the shift over the last 10, 15 years has been really dramatic. Especially if we think about us here in the Cincinnati marketplace, where I think we're down to maybe a handful of primary care practices that are still independent versus not system owned, what has changed in their environment? And so for a lot of those groups, you mentioned orthopedics, or you've mentioned urology, it's something to what even Jerry mentioned, is finding additional value based opportunity value, looking outside of the normal day to day operations of those practices, looking at other revenue streams, looking at ancillary services has really changed in how you get reimbursed over the



last few years. A lot more in the way of joint ventures that specialize like the orthopedic groups are doing when they're getting a lot more involved ambulatory surgery centers.

So it's really looking at a much bigger global aspect of their practices. I think as mentioned, our objective and even within MMG is to take away the day-to-day operations, and the administrative burdensome of the practices to allow physicians really focusing on clinical aspects of their practices, but for a part that has changed so dramatically that they really have to be partners with us in the business aspect, and really looking at opportunities. And I'll go into a little bit more depth than some of the other questions for their head. But as you mentioned, the value based other managed care, Medicare advantage programs, all these new ways that we're seeing reimbursement happening, and how are we going to get paid in the future, is forcing a lot of our groups and practices to think differently today than they did maybe even three to five years ago.

David Mandell:

What are some of the questions that some of the owners maybe they're asking themselves, but they should be getting some outside input like your firm, what are some of those key critical questions? And what are making those questions relevant in terms of the opportunities that they might open up?

Ronnen Isakov:

I think that's a great question. And I think what we're seeing is the definition of success is really changed for a lot of these practices and for a lot of our entrepreneurial groups. So many of them started up however many years ago, really focusing on patient care. I want to have my own practice, taking care of my patients, providing a great clinical service, and financially I'll know I will be okay. And I think that has changed a lot of asking, what does success look like for me from not just now the clinical perspective, but also from a business perspective? The HR, the human resource requirements that go along with owning a practice are so much more relevant today than they were in the last few years. So I think that definition of success for a lot of our groups, and our practices is very important.

We were seeing also a big change in risk tolerance. What is the appetite for staying independent for those groups? Especially when if I take my physician hat and say, so many of my peers have either sold to health systems, joined large, independent specialty groups. Venture capital clearly having a big impact in the healthcare world. So just what is my risk tolerance to stay independent, or do what I really love to do from a clinical perspective? But understand the burdensome from a financial and administrative side. So I think those are big questions that hopefully your audience are thinking about, or talking about. I mentioned again, and how do we continue to differentiate ourselves among our peers, and among our different groups? And it's not just from our patient side, but really even from staff, and system



affiliations. Most major systems are desperate to have some type, especially our specialty groups to have some type of alignment, or affiliation with. And so for those groups

You definitely have the upper hand where you can still if you are, and still on the independent side have the ability to align with multiple groups, and just broaden your market, but also understand that from a referral basis and where your referrals are coming, especially again, for our specialty based practices and groups, that referral basis, when a lot of it is owned by employed health systems, how do you stay affront of that? So marketing has become a really important area. I think, hopefully our groups are really asking us questions about, how do we continue to market ourselves appropriately? Not just to our current clients, or our current patients, but even to our referring physician groups that we've worked with over all these years. Who are the right groups to continue to have those conversations with?

And then I think at the end, and when I say end, but really what is our end game for most of our groups? For us is, what is succession look like? Are we doing it internally? Are we looking at a succession plan with the next generation of our physicians to take over? Are we looking at a pure exit strategy completely from an M and A perspective, from position and hospital-based practices? And for a lot of our groups, and hopefully I'm sure your audience are having this conversation all the time is, what is that work life balance supposed to be like going forward? I think those are really some critical questions that we're asking our clients, and I'm sure your audience are either asking you, or especially in some of the work that you're doing as well. I think those are important points.

David Mandell:

You mentioned a number of things there I want to comment on. First, was separating the business in the clinical. And I talk about my family, of course, going back almost 100 years, practicing medicine very different from my brother, than my father, and my grandfather. And so these business issues become even more important than the idea. And I've written about this before is, the idea of doing good by your patients it doesn't conflict with doing well from a financial point of view. You can have both of those, but you have to make them both goals. In the past, you just say, hey, if I just do it well, if I'm a good enough doctor, the financial part will come, while we all probably know some very good physicians who are very good practitioners, but they're not very good business people, and I can tell you from an OJM perspective they may not be hitting their personal financial goals. They may not be able to get to retirement when they want, because they totally ignored the financial side of things. So bringing that up front and asking those questions is important.

One of the other things you mentioned that I thought was interesting, especially for specialists, which most of the folks listening to this probably are, is doing an analysis of where you're getting your referrals from? Because if a bunch of competitors take over those practices and they have one group that competes with you, well, you may not be getting those referrals, or at



least a lot of them going forward. And then that tied into your next point, which is marketing. And you do see it more. Certainly down in South Florida in the freeways, you see a lot of hospitals and groups marketing to come to, direct to the consumer, this is the best orthopedic practice, or this is where you come if you have a heart issue or et cetera. That's the business of medicine, and I think part of your point, Ronnen, is that the physicians and the groups can't ignore that. They have to at least be aware of what's going on, and maybe be a participant in that.

Ronnen Isakov:

Absolutely, I can give you so many examples of some of our groups who have that long term relationships with their referral sources, and they'll even today get a call from the physician saying, we'd love to refer to you, but reality is our hospital, or our alliance system that we're involved with, I'm sure you've heard this terminology there's a thing called leakage, they're really watching it. So as much as we'd love to refer to you and we know what a fabulous job you do from a clinical perspective, we just can't. So as I mentioned, that changes your whole marketing.

And as you mentioned, also from the financial side, just want to reiterate that yes, you can't be working on the blinders anymore and just expect it. If you're not really ensuring that what you're doing is being build out appropriately, and then once it's get build out and coded appropriately, you actually getting reimbursed, or paid for that service, it's going to have a significant impact on your practice. And then from the expense perspective similar oversight, from a malpractice, from fixed cost, various staffing expenses. The business of medicine has really become the business of medicine. You really have to have a good understanding on both sides of it today.

David Mandell:

I agree with that, and I think those concrete examples are really helpful for folks. So beyond the questions, and business in marketing, and in referrals, what about big picture, what I would call a strategy planning. Things like goal setting, and strategy, and laying out maybe a strategic plan, how important are those? And how do you see those being implemented with your clients, or with other practices?

Jerry Kelsheimer:

David, I think I'll segue into an answer to that specific question maybe by even jumping back to the response of Ronnen just gave, which I think it was a very good one to your question, of what questions should a physician leader, a physician practice owner, be asking him or herself today. I think one of the most important questions that we can ask ourselves today in the business of healthcare is, what's going to be required of me one year into the future? Three



years into the future? Five years in the future? We operate in an ever-evolving marketplace that has significant changing demands. And so I want to be honest with myself about what it's going to take to be able to maintain our current state, and arguably depending on where I'm at in my life plan. And I think both business plans, and life plans need ultimately to align, is it going to get me to where I need to be?

True entrepreneurs, and the physician entrepreneurs as we would characterize it as vision and purpose seeks or defines success, as Ronnen references, knows what winning looks like to them. And it doesn't have to be the same for myself as it is for my peer. It's such goals, ultimately that will help us create that roadmap, or that target for success. So, as I said earlier, I'm a believer, and we as a firm are a believer that it's critical to align those life, and personal objectives with the objectives that we might have for our practice and for our business.

So if alignment of life plan with businesses is an objective, or an outcome, strategy and planning is how we make that happen. It starts with knowing what we want. Being able to assess opportunities in our practice market. Execute against those opportunities. Create value with intentional execution, both clinical and business. And then ultimately for many to most practices, just taking a practical view on demographics today. It often involves timing of an exit, relative to what's the right value, and what's the right time. When am I ready? When's my family ready? When are my partners ready for perhaps that event? And ultimately a role that we'll play with clients is supporting their efforts, the plan to be successful, and to be purposeful, and accomplishing objectives.

David Mandell:

So in a couple of questions, we'll get to the exit. That's the one I have my last question on, but before we get there. Is it part of your process typically to, I won't say force, but work with the clients to put together an actual written plan? Because I think there are many practices, and especially smaller ones, you may not have it. It may be in their mind, in the key partners to some degree, but it's not a real one page executive summary, this is our plan. This is the numbers we want to hit in year three, or five, or some financials around. Is that part of the discipline you're trying to bring to practices often when they don't have it?

Jerry Kelsheimer:

Yeah. We like that word 'influence' as opposed to force. Sometimes I myself need to be influenced in the work more so than others, but I'm a believer and would suggest that we as a firm believe that what matters can, and should be measured. Ultimately to achieve outcomes, important to know what the desired outcome is to have tactical steps that we might take to influence positive outcomes, to create, I'll call them milestones, or mileposts so that we can measure our progress as we strive to achieve those outcomes. And also a realistic view that again, as we've said a few times today, in a world that changes often, a systematized approach



in a practical way evolve the plan as it needs perhaps to be evolved. So that's the long answer. The short answer is yes, they're very strong believer in planning, and again, differentiating the notion of strategy, which is the big picture evaluation of what's possible from tactics, which are those things that we do each day to make strategy real, and alive, and ultimately the right things happen.

David Mandell:

That makes sense. And I agree that 'influencing' is a good term in getting folks to put off on ideas they have in a general sense, or in partner discussions, and some minutes, but into a real plan. Not that it's going to be locked in forever, because things do change, but it's hard to really start to execute if you don't have some written plan to start with. Because it's starting to get a little from implementation, when you don't have something written down, it keeps your guideposts there.

Jerry Kelsheimer:

David, I've always said inertia a very powerful force. And inertia is alive and well in all of our day to day. If I'm a clinical provider I'm busy, and I'm busy doing things that matter very much to my patients. And they matter to me personally, it's a way I chose my profession. Sometimes at the end of the day, the literal end of the day, I'm used up. I don't have the time to pause and think about did I do the right things to move myself along my journey, in my life plan, and my business plan to the outcome I'm looking for. And so some element of structure around that we've seen proven to be very helpful in helping our clients achieve great outcomes, and help them to reach their potential in a, not just to continue to progress.

David Mandell:

And that's the same approach that we have at OJM Group, and it's the same challenge really on the personal financial element. You're working all day seeing patients, and then you've got kids, and it's like, am I on the right path that I want to be on? And when do you work on the practice, not just in it, that E-myth, which is a great book. So last question as we wrap up, you mentioned a little bit of both of you about exits, and we've certainly seen in our journey, we've talked about this. Private equity coming pretty significantly into the medical space, especially in certain practice areas, a lot of roll-ups going on and physicians now thinking about, probably all have been thinking for the last decade really about getting merged up, or being acquired, et cetera, but now even with an investment element to it. How do you folks help folks think about that, or prepare, get the value, get the EBITDA where it needs to be, et cetera? So Ronnen, I'll throw that at you.

Ronnen Isakov:



Sure. And just to tell, and even what Jerry was saying, and both you mentioning this a couple of minutes ago, it's all part of the plan, you have to be planning ahead. And this is a couple of years in the making, it's not something that can be really done overnight. But if you're starting today for thinking of the future, it's exactly what you mentioned in, what are we trying to plan for? So I still go back to the point one, if it is going to be a internal exit, if you want to call it that, where you've set up your practice from a buy-in, buy-out of your partners. Is the valuation there? Or are you really looking for an exit to a outside entity from a physician hospital owned employee practice? Or we're really looking at private equity?

And so, as you mentioned already earlier, it is how do you from a financial perspective maximize your earnings? From call it your EBITDA, your profit and loss statement to just show that financial growth. And I think the biggest success story that we have seen is I mentioned earlier a little bit, but also those that haven't been able to create additional revenue streams that really that flow to the bottom line and helps create that EBITDA number, but also for those that are looking at how are we going to get reimbursed, or how are we getting reimbursed today for tomorrow? So I've mentioned things like Medicare advantage programs, shared savings programs, especially again, with our orthopedic groups, or some of our oncology groups, for our primary care practices, things like chronic care management, or any of those, or bundle payment programs where clearly both commercial and governmental payers are looking at ways to reimburse differently. And for us to take advantage of those as a practice with having the right cost structures in place that really affects both, not just the top line number, but also bottom line.

So some of those programs are multi-year programs, take a long time to get yourself set up, but it's really looking to the future. Things like market factors for us, having those conversations if you are setting up for the next few years, like payer mix, what has happened in our payer mix? Are we lot more governmental patient mixed? Commercial, self-pay quality metrics. So many of our commercial payers right now are paying our groups for better quality, or outcomes. Are we really taking a really good focus on that? And then at the end of the day, still patient volume and loyalty is so important.

For the most part, the patient will follow the physician no matter where. Patients are loyal, but to a certain extent. So are we, this back internally, are we taking care of our patients like we supposed to be taking care of them from a clinical as well as a overall holistic perspective? All really playing into our growth, and maximizing our financials for the long term. For those that are looking at a private equity and looking at some opportunities right now, I would say, start building the story. Why would they want to invest in our practice? What is the best outcome? Why, again, as I mentioned, why or how we've differentiated ourselves over the years, building that story is really important. But at the end of the day, also to make sure that everyone on, on this podcast understand is, what's it going to take to make you happy?



For sure financial is a big, important part of that, but long term are they, even if they were selling to a private equity firm, do we want to be part of that group? Continue working for however many years? Is that the best outcome for your staff? For your other partners? So having that balance of knowing what's going to make you happy, what's going to make the best for your practice, those are questions, and what we talked about, but those are the questions, and things that we should be planning for today. Even if we're not going down that road for two years, five years down the road, or not doing it at all.

David Mandell:

As we wrap here, because we're about out of time, you brought up a number of things that have come up in other podcasts too, which is really, I wanted to reiterate. One is, the things you might do regarding an exit to look at your payer mix, to look at your EBITDA, to get financially better. Even if you don't end up selling, you're going to just improve your practice and your profitability, which goes to the partners. So it's a good process to do, regardless of whether you're selling anyway. You're just making the practice more valuable, more viable, and more strong. So that's one thing. It's a process that those of you listening could be thinking about, and could seriously consider going down, whether you think you might sell or not. The second point is, think about day two, which is not just day two, but year two, after you've sold, are you going to be happy?

You might have some more money in your pocket, but your income will probably go down. Jerry and I have talked about that from a personal financial perspective. OJM often plays a role, and it has over the last five to 10 years because clients have come to us saying, what do you think of this deal? Well, we're really more on the personal side. We're not experts like you to say, oh, that's a good deal. They use it the other deals, we don't have that perspective. But we can say, well, this is what your income will be afterwards. Here's where your windfall will be, net of taxes. And if we invest it this way, here's where you'll be, you're closer or farther, or much closer, or not much of an impact on your financial goals. And that's, I think Ronnen is what you're getting to, is you're going to be happy at the end of the day.

Plus you've got staff you might be considering, et cetera, so these considerations are very similar to what one of our guests who is an investment banker was saying, which is think about not only the financial, but what's it going to look like afterwards, and how it fits your personal goals.

So I know there's a lot of stuff we didn't get to, but I really try to keep this at 30 minutes, because as we said, at the end of the day, these docs don't have a lot of time, most of us don't. So I wanted to keep it at around the 30 to 35 minute limit. So I assume, or I am sure, I will say, that we'll have you guys on again to talk about other topics in the future. So with that, Ronnen and Jerry, thanks so much for being on.



Jerry Kelsheimer:

Thank you very much. Great to be with you.

David Mandell:

Excellent. And thanks to all the listeners. And of course in the show notes, I'll give you both the links to their bios and their website. You can learn more about their group, and thanks for being on. Thank you.