



Physician Autonomy and Control: A QualDerm Differentiator

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The trend toward consolidation in the dermatology specialty has accelerated for several years, but still remains in the early stages. While many practices have already affiliated with larger organizations, others are waiting and watching.

Anytime significant change occurs, questions arise. Dermatologists who are considering a partnership most frequently inquire about two key issues: physician autonomy and control over their careers.

Designed as a True PartnershipSM

QualDerm Partners (QDP or QualDerm) understands that a medical practice is more than just a business. That is why physician autonomy and physician leadership are core elements in our model.

The QualDerm model was established to achieve “True Partnership” with physicians. We believe that for a partnership to succeed, both sides must work together to reach targeted results, and that both sides must have a voice in the decisions that impact the individual practices as well as the larger organization. QualDerm is built as a network of the best-of-the-best in dermatology – we welcome and rely on our physician partners’ expertise.

To ensure that these True Partnership ideals remain intact as the company grows, QualDerm has created a model where each state has its own joint venture entity, with physician partners in each of these entities. Further, physicians are integrated into the company at the highest levels, including representation on the QDP Board of Managers, Quality Council, and all state joint venture entities, such as: QDP-NC, QDP-TN, QDP-GA, QDP-OH, and QDP-PA. As QualDerm moves into other regions, additional state entities will be created.

Common Questions

- ❖ **I like and trust QualDerm’s model and management team. What happens if there is a change in corporate ownership and/or management? What protects me from getting moved into the types of models I hear about and do not like?**
- ❖ **Who is responsible for my employment agreement and making changes?**

Built State by State

Because each state has its own QualDerm partnership entity (e.g. QDP-NC), the partnership input of physicians is not diluted by the overall size of the company. There is equal physician and QualDerm representation on the state-level Joint Operating Committee (JOC) for regular operating decisions as well as strong physician representation at the board level for major decisions.

While QualDerm owns the majority percentage of the state entities and has a more heavily-weighted vote on some decisions, the state entity operating agreements include protective rights for the state entity’s physician partners.

Without the state entity's physician partner approval, QualDerm cannot:

- Change the operating agreement in a manner that has a disproportionate impact on the physician owners
- Sell the state entity without physician participation rights
- Begin any liquidation event
- Make any distributions that are not proportionate to ownership
- Call board meetings without notifying the physician board member representatives
- Change a physician member on the board
- Enter into an affiliated transaction subject to certain carve-outs

These protective rights give the physician partners significant control over the operational and financial direction of the state entity. They were designed to assure the physician partners that the QualDerm agreements originally entered into will not abruptly end or fundamentally change.

New Partnerships

From the beginning, QualDerm has chosen to selectively partner with high-caliber dermatology practices. Our practice partners have worked hard to earn the respect of their patients and colleagues. QualDerm partnerships are designed to preserve our physician partners' professional reputations. It is our policy to not offer to acquire or partner with another dermatology practice or physician within the state without the prior guidance of that state entity's physician partners.

Career Control

At QualDerm, we consider physicians our partners, not just employees. Therefore, QualDerm-affiliated physicians retain control over their careers. After affiliating with QualDerm, physicians will remain employees of, and continue to practice at, the same medical practice office location. Decisions about schedule changes, hiring, and firing of clinicians are made by the physician leadership. QualDerm management cannot unilaterally change how and where affiliated physicians practice.

Guided by Physicians

QualDerm is committed to high-quality, patient-centric care. So it is imperative that physicians take an active role in guiding the company. At the practice level, that means physicians retain their clinical autonomy so they can make the best decisions possible for their patients. At the corporate and regional levels, physicians are well represented on all boards and committees.

Quality Council

QualDerm's physician-led Quality Council was established to help promote and advance the clinical excellence throughout QualDerm and our partner practices. The Council assists in the oversight of patient safety, clinical quality, clinical risk management, and patient satisfaction, and advises QualDerm leadership of leading-edge clinical practices and strategies to be considered for adoption.

Physicians hold the majority of the Council's membership and are the only members who have voting privileges.

Corporate Board and Joint Operating Committees

QualDerm relies on its physician partners to guide all clinical decisions. Further, the company also ensures the physician point of view is represented in all aspects of its business; an independent affiliated physician sits on the parent board of QualDerm. At the state level, Joint Operating Committees are made up of an equal number of physicians and business professionals so that business decisions align with what is best for patients.

Looking Toward the Future

Physicians who partner with QualDerm have their eye on the future. In fact, QualDerm's model is created to help dermatology practices position themselves for long-term success. As part of that, we have built protections into our partnership agreements that help ensure our affiliated practices can continue to thrive if there is a change in corporate ownership.

Ownership Change

If the QualDerm parent company is sold, there are no required changes made to the current physician agreements, including Physician Employment Agreements (PEA), without the individual physician approval and approval of the physician partners. This stipulation is included in every QualDerm partnership agreement to give our affiliated physicians peace of mind.

New investors will be keen to gain the insight and future growth potential with our physician partners. Making wholesale changes to our structure and physician partnerships without physician approval makes little sense from an investor standpoint and in many cases, it cannot be done without physician approval.

Physician Employment Agreement Renewals

Affiliated physicians have auto renew provisions in their PEA once the initial term expires. If renewal discussions are required they are handled directly by the practice that employs the physician, rather than by the corporate management. While the corporate management is responsible for assisting in the process, it does not have the authority to make final decisions about PEA renewals.

This arrangement is designed to allow management oversight, while leaving the direct physician-to-physician terms to be agreed upon by the affected parties; fostering mutually-beneficial agreements and promoting long-term professional relationships.

Committed to True Partnership

At QualDerm, we are committed to maintaining physician autonomy and encourage physician leadership in the company. We also respect physicians' desire to maintain control over their careers. Though changes in the healthcare environment are rampant, we do not believe the industry will evolve to the point where every physician is merely an employee of a non-provider entity. Physicians' experience is invaluable and cannot be replaced within a healthcare services organization.

QualDerm's True Partnership model for practice support and management melds the clinical expertise of physicians with the management know-how of business professionals, giving each side a voice. We believe this is the only way to accomplish long-term, sustainable success.

To learn more about QualDerm's commitment to physician autonomy and control, or to discuss partnership opportunities, contact Andy Mitzen, Chief Development Officer, at andy.mitzen@qualderm.com or 847.917.2371.

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