

David Mandell:

Hello, this is David Mandell. I am the host of the podcast. Welcome back, to those who've listened before. Welcome to those who are coming on for the first time.

I'm excited about today's episode and our guest, who I've known for some years, as I think we'll learn a lot from him and his journey and some interesting things that he's doing. So let me introduce Dr. Scott Faucet...

Dr. Scott Faucett is an orthopedic sports medicine surgeon based in Washington, DC with the Centers for Advanced Orthopedics. His clinical practice focuses on complex knee and hip surgery. He's a team doctor for George Washington University Athletic Department, and numerous high schools, as well as a [pool 00:00:44] physician for the United States ski and snowboard teams. He has presented at numerous international meetings, published manuscripts, and book chapters on the management of complex meniscus injuries. He serves on several committees with the AOSSM and the I-S-A-K-O-S, ISAKOS, as well as directs the research efforts at the Centers for Advanced Orthopedics Research Foundation. With that Scott, welcome to the program.

Scott Faucett:

David, thank you so much for having me. I'm really excited for this session.

David Mandell:

I am as well. And I think for those folks who've been following this, you'll know that we get to learn a lot about interesting fellow physicians. And I think this talk fits right in with that. So let's start from the beginning, as I like to say. Where'd you grow up? What made you become a physician and specifically become an orthopedic surgeon?

Scott Faucett:

I grew up in Santa Monica, California. The first physician that I know of my family, my grandfather was a physician, but he passed away before I knew him. So I really had no familial leadership, but I knew from a very early age, I think my parents say from as early as fifth grade, I was telling people I was going to be a doctor. I didn't really know I was going to be an orthopedic surgeon until later on in my medical education, but there was something about the ability to use my talents, my knowledge and my actual physical hands to help people in their most severe time of need. Had a lot of experience growing up in emergency medicine, through the Boy Scouts. And then moving on, college, I served on a rescue squad. Actually moved up to the board of directors through the squad and that's really kind of where that the real passion for helping people flourished. And then once I got to medical school and experienced my first time in the operating room, and understanding kind of the basics of orthopedics, that's really where my passion in orthopedics kind of developed.

David Mandell:

That's interesting. That's great. Santa Monica is certainly a great place to grow up. I like the fact that you kind of had experienced emergency medicine through that kind of... That's pretty cool before you got to medical school. Now, as you were in, whether it's college or certainly in medical school and even in early training, what was your exposure to finance, investments, financial planning, did you have any interest in that area? Was it something that you didn't, because you were just really focused on the medicine? Tell me about that.

Scott Faucett:

Sure. I grew up in a financial family. My father was a general partner of a hedge fund and my brother also did a lot of financial investments for funds. So that type of discussion was always at the dinner table at family vacations. I actually majored in economics at Middlebury College. So I got a little bit of understanding of economic principles and accounting. But I even from an early age, I had a venture type entrepreneurial spirit. Actually in college, we created a separate company that was to help intercept all these ambulance companies in the area. They didn't have paramedic coverage. So we actually worked together to develop a paramedic intercept company.

David Mandell:

Interesting.

Scott Faucett:

And that was in college. So I've always had an entrepreneurial spirit about this, but some of it's been learning on the line, and I've had some academic background in it.

David Mandell:

That is interesting. I think it's probably a skewed sample, but the people that I talk to as clients, but also the couple that we've already interviewed, economics is more popular than I would have thought. I thought most pre-med people were just doing biology. But people are interested in that, and that's good. So you come out... Your training takes you to a number of places. Where did you do your different training? And then I want to ask, another question follow up on that.

Scott Faucett:

Sure. So graduated Middlebury College and then went on to Dartmouth Medical School. I actually had the opportunity to start Middlebury College in the middle of the year and finish in the middle of the year.

Scott Faucett:

Which I think creates, it's called a Feb program at Middlebury. And that created actually a little bit of an independence. I had to go find something to do for that six months before my university experience started. So I spent-

David Mandell:

Very relevant this year. Right. I mean, some students are not in school right now or taking gap years, so yeah, very apropos. So continue, please.

Scott Faucett:

Absolutely. I actually chose to work at UCLA Medical Center and I just got involved right away at their Cardiac Catheterization facility. And I was volunteering and doing whatever I could even working in the emergency room after hours and those kinds of things. So really starting to understand how medical teams work, even at an early age, right out of high school. And getting that experience was very valuable to identify just what it's like to be in medicine, build that foundation. But went to Middlebury College again, had that experience working on the rescue squad, for the four years there. Then went to Dartmouth Medical School where I had the opportunity to kind of learn more beyond my medical school

years. So after about a two and a half years, I learned about it's now called the Dartmouth Institute, but then it was called the Center for Advanced Collaborative Sciences and Clinical Sciences.

And they basically developed a master's program, which is like the next level of beyond learning about medicine, is learning about all the other things around medicine. So in this master's degree program, which I attended, we learned everything from management skills on how to communicate and manage a team. Financial skills, how do you build a program, a financial program if you're going to add on a new service, what does that mean to whoever is going to be funding that and working that? So we got even medical accounting there. And then spent a lot of time on research, how to conduct research, do different kinds of studies, a lot of statistics work and those kinds of things. So that was an incredible program.

David Mandell:

Yeah, it sounds like it.

Scott Faucett:

Got to write a number of papers on my off time with the orthopedic team. So it just helped, again build my ability to understand how medical systems work and be involved with medicine, even though I'm in an academic program. So finally finished that and then I went on to my residency at the Dartmouth Hitchcock Medical Center. And from there did a fellowship in sports medicine with the Steadman Clinic in Vail, Colorado. So that's kind of like the clinical training that I got and very fortunate to be able to get a very broad program and learn a lot in those experiences.

David Mandell:

That masters sounds fantastic. I think that would be something that a lot of other universities I think would do well to offer something like that. And if folks can take the time and get off the sort of typical track for a year or whatever it was to do that, they'd really benefit themselves in their career. Because it sounds like there's a mix of medical knowledge, or things related to medicine, but also some business, some operational or organizational learning too, which is valuable, especially as people come out and practice. So let's talk about that transition.

When you took your first job out of Steadman, out of fellowship, to what extent did financial elements come into play? Meaning was it something you were looking for a place where you had the highest income, or was that not important? Or a particular place in mind I wanted to be in this metro area, or an academic element to it? From a finance, because that's sort of the overall arching theme of the podcast, what elements came into play and how important was that? How were you able to make a decision that way?

Scott Faucett:

That's a question I think so many people face when they come out of fellowship, and I don't envy anybody in those decisions. There's so many things and you are somewhat, depending on where you might practice, you're fairly powerless in going into these options. Just because you don't know what it's like, you don't know what you're capable of doing. I would say that coming out of fellowship, I was very confident that I had talents in teaching, research, and clinical practice. And I really wanted to not limit myself by going straight to a private practice group and just focusing on the clinical medicine, and never really pursuing those opportunities of research and teaching. So I was pretty focused on an academic position. Interviewed at a number of academic positions and then a few regional private practice groups. But to me, I really wanted to have all of those three entities.

Scott Faucett:

I got down to about three major academic groups and there's a fair disparity in the pay. But I think that's one thing that I would also recommend to anybody is that don't just pursue one option. You got to pursue all three options and leverage them against each other to make sure that you're at least getting the right financial position. And you could be limiting yourself if you just focus on one thing.

David Mandell:

Yeah, for sure. especially you coming out, and well trained and there's a demand there, and there's some supply of course, every year there's fellows that come out, but having that leverage. one of the things that I'll talk about more probably in '21 is that job process, as I'm working with a couple of folks to educate and create a kind of offering for docs coming out. Because I think there is a market gap there. People don't have enough information to make good decisions about jobs they need to be taking. This is why the statistics bear out how many people change jobs in the first five years. And a lot of them, even in the first two years.

So we can help physicians be a little better educated, maybe a little bit more, better leveraging. And part of that, not just looking at one opportunity, maybe we can improve that. So you have the academic position. How long were you there, then you changed? I think you had mentioned, we had talked about this after a number of years to a private practice environment. What was the key decision points there, that got you interested in making that change?

Scott Faucett:

Yeah, so I was at George Washington University and I think it's always an adjustment when you start a new practice, and we had a great team there and there was some change within the institution in terms of the leadership and the management of that structure. And just for me, I was presented with an opportunity that really allowed me to flourish in those same three venues, but also give me that entrepreneurial, independent, and kind of management opportunities that I was really seeking. So it was just an opportunity that I couldn't turn down. And I've been very fortunate, still be able to interact and teach residents both in the classroom, as well as in a clinical setting.

And as you mentioned, have been able to develop a research foundation, which is going to be world-class. We have 200 orthopedic surgeons participating in research, and we're doing everything right now, clinical, but advancing into biomedical engineering as well. So it's just incredible opportunities to pursue all these different things that you may not be able to do, in an academic center to the level of control that they can at a private practice.

David Mandell:

I think there is a balance there. Because with big institutions, academic, you might have some opportunities you can't get in other places, but how much autonomy do you have? How much entrepreneurial outlet can you do, and it sounds like you found something that balances that pretty well. We'll make sure in the show notes, we have a link to that foundation. Because we've certainly got a lot of orthopedics specialists who listen to this and who are clients and they may be interested in what you're doing over there.

Scott Faucett:

Great.

David Mandell:

For sure. We'll put that in there. So the private group, it sounds like it's got some interesting business elements to it, meaning it allows you to maybe do some things that is not typical of a group practice. Tell us a little bit about that. And sort of how it's structured from a business or financial point of view. Does everybody kind of had their own like profit loss or to some degree, obviously you don't want to disclose things you can't, but what gives it that entrepreneurial element that you're able to take advantage of?

Scott Faucett:

Yeah. So the group is called the Centers for Advanced Orthopedics, and a number of years before I joined, it was a number of divisions that came together and basically seeing the writing on the wall, the threat to private practice and the small group, and certainly the individual practitioner, that these major hospital systems and academic groups were buying up all these practices, bringing them underneath their realm to increase their revenues. And I think there is something really about being a private practice physician that really is able to bring your vision on how you want to care for patients, that can definitely be challenged, and more challenging to do in an employment situation. And so we are a group of physicians that are dedicated to that. And so we came together, brought all these divisions together.

And as I mentioned, it was about 200 orthopedic surgeons that have come together in these different divisions that were already practices, and basically create a corporate structure that helps manage the overarching business of orthopedic medicine. So we don't really care who our malpractice insurance is. We just want to have good rates and that's all we really care about. So we let our corporate structure negotiate that. We want to have the best rates and insurance. And by creating such a vast network of orthopedic surgeons, we are able to compete at the level and sometimes even better than some of these major orthopedic groups in terms of our insurance contracts. Like I said, our malpractice insurance contract, we've gone out to... We're now in a captive situation, so we're created our own captive. So we are only self-insured, we've also self-insured our healthcare insurance for our employees. And so it's just an incredible option to be able to bring in all of those entities together, and reach those economies of scale.

David Mandell:

It sounds like you've got the economies (of scale), but you also are able to have some entrepreneurial element... You are still owners, I guess, is really the bottom line, is that you guys who make the decisions. And that's really the key. And if you can get sort of best of both worlds, large group economy scale, negotiating power, but also keep that independence. I think that's a lot of what people ideally would like in their practice.

Let's segue a little bit to personal planning. Obviously you're busy, you got a million things going on. We can tell that already and you haven't even gotten to some of the entrepreneurial ventures. As you now have gone through your history, came out academic then came to private practice, you're doing well. Busy practice, how have you managed your personal finances, in terms of how much do you do yourself? How much have you looked to delegate to professional advisors? Were there key relationships, or things or learning that you've had along the way, courses or books or something. Tell us a little bit about that, how you've managed and kind of gone about your personal financial life.

Scott Faucett:

Yes. I mean, I think that's another thing that as medical students, you do not get exposed to that, even as residents. Maybe you might have an evening kind of dinner or course at the... Someone may come and talk to you about, most often surrounding insurance. But I think that it brings me to a story of, I first got a fellowship. I had a contract with OJM to kind of help with some of the insurance aspects, which I knew were necessary in terms of the disability. But we brought in... Able to bring in some of our personal finances as well. And our first analysis was like, we had a bunch of equities. So our financial manager, OJM was like, "What are you doing, man? You're in the operating room. How are you going to know whether something tanked or have... This is just too risky."

David Mandell:

Getting off the trading mindset.

Scott Faucett:

Get you off of it, yeah.. If you want some money on the side that you want to gamble with, go right ahead, but don't put all your eggs in equities, because you're not going to be there to help manage them. These are people's full-time jobs, and let the market help determine that. So I think that was the first step is to have a financial planner or financial management. And I think it's also really helpful to have someone who specializes in what they specialize in. So you don't want to have the guy who's doing everything, one guy doing everything.

Because again, also it's like, okay, well he's on the phone selling insurance. Why isn't he managing my funds. So I think that's one of the advantages that I've found personally with OJM group is that I can get the right expert for whatever I'm trying to do. Whether it's an accountant, whether it's insurance, whether it's managing my investments, whether it's kind of organizationally how to manage what I'm doing.

David Mandell:

I think that's a really great point, specialization. In medicine, it's built for that. 'I'm a board-certified orthopedic surgeon. I'm a board -certified cardiologist'. People understand, okay, I'm going to the cardiologist. If I tell him, I'm having issues with my shoulder, he's going to say, "Well, I've got some multi-specialty group." Or, "Here's good guy across town." Or whatever it is. He's not going to try to diagnose and treat the shoulder. No one doc is going to try to be a specialist for everything, can't be. And even within orthopedics, you've got specialized in the hip or particular joints. Because there's only so much to know.

in my field, background is law. There's a little bit of that. There's specialization. And there can be, in some states, it's very state specific, you can be Estate planning certified, or patent is a national certification.

In finance, it's not so clear. People say, "Oh, he's my insurance agent, and he also manages my money." Well, that's really two things that could really be separated and have... You can't really do one well, if you're doing the other. You can do one well, you can't do two well. And it's the same thing.

And we try to build our firm, actually, you know this, but for those who are listening, on a multi-specialty medical model. Now my background is a lawyer, asset protection, Carole's tax, CPA with 25 years of tax experience, all the rest of the different specialists. We come together to try to get the best wealth care for our clients, but there are folks out there, and physicians, I think if they're not trained in this, they may not understand, at some point I need some specialization, especially as wealth increases.

It's not a big deal if you've got 10,000 to invest, because if you lose 20 or 30%, it's only two or three grand. It's a million, that's more painful. You start to think about 'how long did I work to make that money, and pay taxes on it, and save, and then see it go down.' So certainly that specialization is more important as you grow. And I appreciate that. That's an important insight, that I try to kind of preach to the, you're the choir, but to others when I'm out there.

So let's talk about a little bit about your entrepreneurial ventures. You've got that bug in you, obviously you mentioned it even from early on, back in college. So you're involved in at least two that I know of, medically related ventures. Let's tell the folks about those, what they are, how you got involved with them, and what your role is.

Scott Faucett:

So I mean, first off I think that one of the things, medicine is great. And my passion is definitely orthopedic surgery, but often there'll be a time where you experience something that is just, it's oh this could be better. And those kind of things-

David Mandell:

Yeah, you see a market gap.

Scott Faucett:

Yes. why do we have to do it this way? So if you have that mindset, write those things down, don't let them go away. Because you eventually you'll grab onto one of those things and you'll say, "Okay, well this is... I can fix it. I know how to fix this." Or there's an opportunity here. So that's kind of what had been going on. I do a fair amount of physician training, physician education. Very fortunate to be able to share some of the techniques that I use with physicians.

So they'll come and visit me and learn how we're doing things and then they also want to go maybe practice that a new skill on a cadaver. So we do these kinds of bio skills, training labs. They'll come watch me in the operating room all day long. And then we would go to another place. Well I was finding that man, I was driving, we'd finished surgery around 3:30 and then we drive to the closest one was Annapolis. We'd drive another hour, it's two hours in traffic to Annapolis. And then we would do this lab there and we'd have a great session. Wasn't quite set up for what we were trying to do, it wasn't really built for what we're doing, but we could DIY whatever we needed. And then the physician wants to have a little bit of time to reflect on the evening, maybe go have dinner and then go home. So you start at 6:30 in the morning and you're done-

David Mandell:

It's a long day.

Scott Faucett:

Maybe 10:30 at night. This is crazy. Right. So basically, also the opportunity to enrich yourselves in these opportunities. I was very fortunate to spend time at the Steadman Clinic. It really... I call it orthopedic Disneyland because it really is, some of the highest volume research in sports medicine, highest clinical care practice. And then also an educational for fellowships. So they had, their bio skills lab is jointly attached to their clinic, and their operating room. So I got to build something like this. And so we built Mass Lab Surgical with my partner, Terry Redmond, who is a distributor. And it has now expanded and flourished.

Scott Faucett:

We're opening facilities in Philadelphia next year. So it's really been an incredible opportunity to experience, really learned a lot about business and organization, more so than running a clinical practice, basically from the ground up and how to fundraise and things like that. So that's the first opportunity that we've also developed. And then the **CAO Research Foundation** was another entity. I had been doing a fair amount of research on my own, within my own clinical practice, hired my own research assistant. And I said, "Look, we're leaving a lot on the table here." Not only are you leaving the financial impacts of, we make money and we're a for-profit entity, and this type of entity shouldn't really be for-profit. This type of activity probably shouldn't be for-profit because we're really trying to grow our knowledge, as well as the economies of scale that we're missing out on.

There are economies of scale that we've achieved at the clinical level. Why don't we do this at the research level? So with a small amount of seed fundraiser from our corporate partners, we were able to kind of create this research foundation. We're managing... We just started enrolling studies this year. We've already managed, I think four or five studies under management right now. We're bringing in two or three more. We're hiring a team of research assistants. We have a senior research coordinator, and we're bringing in other support staff like statisticians and things like that. We put together an incredible board, mostly non-physicians to help guide us. And that's another really exciting opportunity to be a part of that. And it's really fulfilling to put things in the right place, where they belong and having research as a not-for-profit research entity is incredible.

David Mandell:

So in both of these cases for folks listening, those docs here, who they like you, I think you put it really well. They see different opportunities in their day to day life as healthcare providers and say, "This could be done differently, and I have an idea of how maybe it could be done better." What piece of advice... I mean, obviously write those things down and don't let go of them. What was your first step? Did you kind of map out what you thought a basic business plan was? Did you get with a business person and say, "Hey, I've got this idea. I understand the medical side. I need your input on the business side." Some ideas for our folks on if they think they have a good idea of what to do next.

Scott Faucett:

Yeah. So to answer the first question, in terms of the business plan I had had, already a little bit of experience writing business plans. So that definitely started, I mean, I think that's like stage three. But stage one is the idea. And that's the writing things down. Stage two is kind of like, all right, I need a better understanding where the market is. Is this a problem? Talk to your colleagues, are they experiencing the same thing, really understand is this something potentially. And then I would say, stage three business plan and or co-founder. So I listened to one of my favorite podcasts other than this one is *How I Built This*, by Guy Raz. I don't know if you ever listen to that, but-

David Mandell:

We'll put it in the show notes, how, what was it called?

Scott Faucett:

How I Built this, by Guy Raz.

Scott Faucett:

Produced... And so it's basically all these various different entrepreneurial people, and they tell their story. And one of the things that one of these C groups out in Silicon Valley was... They don't fund anything without a co-founder. You have to have two people. And I really grasped onto that. I've been very fortunate to have a great partner with Terry Redmond, but you may be getting crushed on this other entity or clinical practice, all this good stuff. You need that other person there to back you up. You may be stuck on what to do. And so I think that is a key thing, is find someone who you can work together with, because it's also going to... You can check your ideas and you may see something you might've missed, and you may be able to kind of really cone down your beliefs and your thought processes.

So I would say that either or, do the business plan, or get the co-founder, but one or the other, I think you should do both. And then after that, once you have the business plan, then you got to figure out how you're going to fund it. Are you going to fund it personally? Are you going to raise money from your colleagues who also said, "Yeah, that's interesting." From your family, it's really hard to get funding from banks.

David Mandell:

Get some angels. That's what you're looking for -- some angel investors. Yeah. I think that's great, terrific advice. We're going to call some of those things out, because the partner thing I think is really important as someone who's created a couple of businesses myself, I just don't... It's very hard to have the inspiration every day on your own and the commitment. Because you're going to get nos, you're going to get no's from investors. You're going to get nos from potential marketplace. It's not an easy road, even with a great idea, and being able to bounce things off a partner, not only just to the business ideas, but to kind of pick each other up along the way is really important, I think. So I think that's a great piece of advice and in medicine, and you can correct me if I'm wrong.... A lot of it's sort of on your own. When you're the surgeon in the room, it's you. You got your team around you, but businesses isn't like that. You go to business school, it's all team building, it's all team exercises. And I think there's good reason for that.

Scott Faucett:

Yeah.

David Mandell:

So that makes a lot of sense. Well, this is really valuable. I mean, I think there's a lot of stuff that people can take out of here. I want to end with the question I ask every doc who's on here. And so I'll ask you too, which is, from a financial or business point of view, if you could go back in time and talk to the young Scott, or to one of your fellows, a young physician kind of starting out, what's the one thing, if you could distill one piece of the many pieces of advice, what would you give it?

Scott Faucett:

Well, I'm going to try and make it broad, but I'm going to go back to one of the points that we talked about it's to realize your limitations. And to the extent of that, is outside of clinical practice. You've trained very well. You understand what you're doing, you are the expert now, but you're not the expert in all these other things. And so know your limitations of that, and identify people that can be there to support you. And whether that's through one entity like OJM Group, where you can find all those things, or you're going to find a particular person that you trust. But I know, I think it's really valuable to have those experts in your life that you can tap on to say, "Hey, what should I do about this?" Or, "Can you do

this, manage this for me?" Because you are going to become tremendously busy, just running either your clinical practice, or if you're entrepreneurial all these other ventures. And you want to have someone to have your back in terms of advising you of things.

And as you go into all these things, whether it's an attorney for starting a new entity, whether it's an attorney to help you with a patent, or attorney to organize yourself and do an S-corp or something like that, you're going to need to have that advice. It may not be the same attorney, but he can say, "Hey, call Joe Esquire over there to help you." Same thing with finances, and insurance, and accounting.

David Mandell:

Yeah. I think that's great advice. And it requires, life today, especially as you get more complicated, requires specialization, kind of the theme of what we're talking about and you need those different specialists to get where you want to go. And as I've mentioned in another podcast, it also gets into highest and best use. Meaning your time. You only have so many hours in the day, we just talked about your 6:00 AM to 10:30 PM day. So if you're going to be starting something entrepreneurial or running the practice, et cetera, you want it to be able to be using your time at your highest and best use, and delegate to others, what they can do with their highest and best use. That gets the organization, whether it's an entrepreneurial venture or your practice, or division, et cetera, getting them going in the right direction.

And I'm a hundred percent on board with that. So, Scott, thank you so much for coming on. I really appreciate it. This went by in a second. And we'll have you on in the future, as you do new things and keep us posted on the ventures you're doing now. So thanks. Thanks for coming on.

Scott Faucett:

Thank you, David.

David Mandell:

And to all the listeners, thank you for taking the time, we hope that you are on, listening to us in the next episode. And let your friends and colleagues now. So thank you.