



Perspectives on Medical Practice Management

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Can We Help?

Our firm provides a broad range of services to medical practitioners, including:

- Accounting & Financial Management
- Tax Services
- Internal Accounting Controls
- Practice Management Consulting
- Practice Development
- Office Automation Consulting
- Personal Financial & Estate Planning
- Practice Valuations
- Finance Consulting

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Recovering from Wrong Turns

The anticipated gains from a practice initiative -- such as adding equipment, opening a satellite office, or introducing ancillary services -- sometimes far exceed the actual results. What can you do if a business decision proves disappointing?

Reevaluate

You generally have more options than just abandoning the initiative or continuing to endure losses. You might start by getting a firm handle on the numbers.

Compare your actual financial results and operating experience against the goals you originally established. Look at both the financials and the time you're putting into managing the initiative. The analysis may help you learn the causes of your disappointing results -- and lead you to identify a possible fix, such as changing your business plan by adjusting staffing or scheduling.

Rework the Cost Structure

Quantifying your problem and the revenue needed to make you whole may help you find a way to change your initiative's cost structure so that it will at least cover your fixed costs. For example, you might be able to negotiate with another practice to buy or sublease equipment that you haven't been able to use to its full potential. If you added space for your initiative, you might offer it to a physician in a different specialty. Also, if the space is adjacent to your offices, the physician may be willing to use your support staff -- and share the related overhead.

Don't limit your thinking to medical uses for the extra space. You might be able to adapt satellite space for general commercial use. A small investment in remodeling may make it possible to cover your cost for the remainder of your lease.

Renegotiate

Some practice initiatives involve a contractual arrangement with an equipment vendor or other party. If you've made such a deal, you may be able to renegotiate the terms to make them more workable in your present situation or you might be able to cut your losses by buying out of your contract.

Move On

What if you've taken on a physician who -- for some reason -- hasn't worked out well? Your best option may be to accept the need to move on.

Offer reasonable buy-out terms and, assuming your practice's patient volume still calls for it, start looking for someone who will be a better fit and more acceptable to the other physicians in your practice. This time, consider protecting your practice in advance by building in some safeguards, such as separation terms for a new hire.

Talk to Us

We have helped clients develop business plans that anticipate contingencies and incorporate periodic tracking and evaluation. If you want to discuss how you might improve your practice's financial performance, please call us.

Look Past Cost When Choosing Malpractice Insurance

The best malpractice insurance for your needs depends on more than the premium amount. When alternatives are available, taking time to do some comparisons should help with your decision.

Carrier Strength

Start with the carriers offering coverage in your area. Compare their financial strength as reported by insurance rating agencies. Carrier insolvency sometimes does occur. You don't want to be scrambling for coverage and trying to recover premiums you've paid. If you deal with an insurance broker, ask about the carriers' reputations. Your state's medical association or insurance regulators may also have helpful information.

Paying Claims

If coverage availability allows, also compare the policies offered by various types of carriers -- commercial companies, physician-owned mutual companies, and others if available. Besides checking the premiums, explore each carrier's claims-

paying record and how the carrier works with policyholders after a claim has been made. How much input will you have in a settlement decision? For example, the tradeoff for a carrier's advantageous premium may be a practice of settling low-merit claims in order to save legal fees.

Other variables that should be examined carefully include whether claim defense costs will be subtracted from your policy limit, whether the carrier uses a consultant in your specialty to review filed claims, and what the policy's specific exclusions are.

Coverage Type

A carrier may offer only claims-made coverage -- limited to claims filed during your policy period -- unless you pay extra for "tail" coverage for incidents that occurred during the policy period but are reported after the period has ended. Tail coverage is especially important if you retire or move to a practice covered by another carrier. You may want to compare the total cost of claims-made plus tail coverage with an occurrence policy (if available). An occurrence policy covers incidents during the policy period regardless of when the claims are filed.

Opening Your Door to Retirement

How will you eventually leave the practice of medicine? Quickly -- by selling your practice? Gradually -- by reducing your hours over time? Or reluctantly -- by continuing to practice for as long as you can?

Every retirement is both a lifestyle and a financial change, and that can complicate the decision to retire. Even if your retirement plan assets and other investments are sufficient to fund a comfortable retirement, are you prepared to give up the satisfactions and challenges of practicing medicine? You may not be willing to take the quick way out by selling your practice to your partners or another buyer -- or simply giving it up if a sale isn't a viable option.

Taking It Slow

Gradually withdrawing from practice may be a much more attractive choice. You could reduce your working hours in stages and leave medicine for good only when you're finally ready, even if that's some years later. Just understand that moving to part-time practice has both short-term and long-term financial consequences. Your earnings will obviously drop right away. So, you'll need supplementary income from your retirement assets or other sources. And, if you sell your interest in the future, your reduced patient base would most likely result in a lower price than you might receive by selling a full-time practice.

If you're a soloist, practicing part-time can make it difficult to provide good care for your patients. Bringing in a physician assistant may be a viable solution. So may recruiting another

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Additional issues could exist that would affect the tax treatment of a specific transaction and, therefore, taxpayers should seek advice from an independent tax advisor based on their particular circumstances before acting on any information presented.

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physician who would join you with the understanding (or a formal agreement) that he or she would eventually take over the practice.

If you are in a group, cutting back your office and call commitment will require revising your practice agreement to incorporate a new compensation arrangement. Often, such arrangements are based on the part-time provider's productivity with appropriate subtractions for office expenses. Your arrangement might incorporate a minimum and maximum time commitment.

Malpractice insurance is also a consideration when reducing your practice commitment. You'll want to be certain you're covered both during the part-time years and after you cease practicing.

Rather than cutting back to a part-time schedule, you might decide to withdraw fully from active practice, but remain active by teaching, consulting, or doing occasional specialized procedures.

A Third Possibility

There's one other late-career choice to consider: Delay the

retirement decision by continuing in full-time, active practice for as long as your health and ability permit – or until you want to open another door.

Financial Keys to Retirement Planning

If you want the freedom to base late-career practice decisions on your preferences instead of financial considerations, you need to amass sufficient financial assets during your active years. These two key planning guidelines can help you reach your goals:

- Run the numbers to estimate your retirement needs and resources. Estimating where you stand currently and what future growth is likely can help you to make any needed adjustments early enough to favorably affect your long-term results.
- Invest for long-term goals, emphasizing tax-advantaged accounts. Using available income-tax deferred investment vehicles will limit your taxes during your active years and, thus, accelerate the compound growth of your retirement assets.

If you wish, we can help you evaluate your retirement planning. Don't hesitate to contact us.

What If? – Preparing for the Unexpected

Recovering could be both slow and difficult if your offices are ever damaged by a fire, storm, or similar disaster. Here are four ways to limit the potential disruption of your practice.

Back Up Essential Records

Duplicate copies of your patient and personnel records, receivables, contracts, and other operating data will be critical if your primary records are ever damaged or destroyed – or if you are forced to relocate unexpectedly. That means you should systematically create daily backup records and store them offsite where they are well protected from fire, water, or other damage. Depending on your practice management system, you might back up your data electronically. Scan documents into your system as needed and store data disks or tapes securely or transmit the data to an online storage service.

Keep Key Data Accessible

In a disaster situation, you'll need the ability to quickly contact your partners, staff, insurance agent, suppliers, etc. Use your personal digital assistant (PDA) or cell phone to maintain a current list of phone numbers and e-mail addresses.

Outline Recovery Steps

Consider making action lists that lay out the steps you and your staff would follow when operating in a temporary location or returning to your offices after a forced closure.

Review Insurance Coverage

Your practice may have insurance that would cover much of the cost of recovering from a disruption. If you're not sure of the extent of your protection, check with your insurance agent about the covered physical risks and whether – and how much – you'd be reimbursed for a business interruption. You may

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want to adjust your coverage to obtain more complete protection.

Simple planning may help reduce the difficulties that commonly arise after a disastrous event. Becoming better prepared deserves a high ranking on your to-do list.

Medical Briefs

Do You Have Your NPI? - Starting May 23, 2007, you'll have to use the new National Provider Identifier (NPI) number for your electronically transmitted claims, eligibility inquiries, claim status inquiries, referrals, and remittance advices. To apply for your number, use the CMS (Centers for Medicare & Medicaid Services) website, www.cms.hhs.gov, or a paper CMS application. Alternatively, you may allow a professional association or other organization to package your application with those of other providers.

Small Decline in Managed Care Contracting - A recent Center for Studying Health System Change national survey found that the overall share of physicians without managed care contracts was 11.5% in 2004-2005 compared to 9.2% in 2000-2001. Working without a contract is more likely among those in solo or two-physician practices, in practice for more than 20 years, lacking board certification, working part-time, or working in the western United States.

Return Service Requested