

Socioeconomic tips of the month

Planning for retirement

At the recent Clinical Congress in Chicago, Fellows, Initiates, Candidates, and others had an opportunity to get one-on-one practice management tips through a consulting service sponsored by the Health Policy and Advocacy Department. The requests for information had a dominant theme—transition in practice. Tom Loughrey, CEO of Economedix and a practice management consultant for the College, had the following suggestions for surgeons considering retirement. Last month, Mr. Loughrey provided recommendations for surgeons who were thinking about adding new associates to their practices.

Q. **What are my obligations when I retire?**

A. Surgeons planning to retire must deal with several ethical and legal considerations. First is the issue of continued patient care. There is an ethical and, perhaps, a legal obligation to make certain patients are given sufficient time to select another surgeon. This is usually done by formally notifying patients by mail and referring the patient to either another physician or a resource, such as a county medical society, that can assist in the search process.

The retirement process is simplified if the surgeon is in a group practice that will pick up all the patients, their records, the employees, and the space and equipment. In a solo practice, though, all of these issues must be handled independently. The following information may be used as a checklist for the retiring surgeon who does not have a group to pick up the practice assets.

Patient medical records and charts

Surgical practices must maintain patient records and have them available to patients and physicians who may need them. This could mean storing them for many years. It would not be unusual for a retiring general surgeon to have more than 10,000 charts that need to be stored and accessed. There may be related photocopying costs as well.

Maintenance of these charts can be expensive.

If stored commercially, the cost may be approximately \$2 per standard carton. If a carton holds 200 charts, a retiring surgeon with 10,000 charts needs to keep 50 cartons in storage at a monthly cost of \$100. Most commercial record storage companies will charge each time a carton must be pulled and a record extracted or returned. This charge will vary, but \$5 or more per pull is typical. A retired surgeon with 50 stored cartons and 10 chart retrievals each month will have a total monthly chart storage bill of \$200 plus charges for photocopying, mailing, or delivering.

Of course, these charges can be avoided if someone else takes over the charts for a retiring surgeon. Simply by getting another surgeon to take custody of these charts, a retiring surgeon could avoid as much as \$10,000 or more in costs in the first five years of retirement plus the associated work and responsibility for the charts.

Personnel

Staff will need to be notified in sufficient time to allow them to find new positions. The retiring physician, though, should be careful not to make his or her plans known so far in advance that prolonged understaffing could become a problem. Usually one month's notice or pay in lieu of notice is acceptable.

Prior to retirement, you should check to see if there are any contractual liabilities or obligations related to staff. If there has been a retirement plan in place and it is going to be discontinued, there are requirements for notifying employees. Check with the retirement plan administrators to find out what will have to be done to shut down the plan. It normally only requires a timely notice to the employees so they may transfer assets to other qualified retirement plan accounts.

At the time the practice closes, employees with accrued vacation time will need to be paid for that time under most state laws. Also, most employees will be permitted to file for unemployment benefits if they do not find other work right away. Unemployment benefits paid to former employees generally should not have any financial effect on the retiring physician.

Facilities and equipment

Most surgeons rent their office space. If their leases expire at about the same time as they retire, there shouldn't be any problems. However, if a lease expires significantly before or after the retirement date, there could be some financial liability.

If a normal lease extension is five years, but you plan to retire in three years, it's better to sign a three-year lease even if it requires higher monthly payments. Otherwise, you will have to either find someone to sublet the space or continue to pay rent on an office you do not need. If you plan to retire within one year of the lease ending, it may be best to rent on a month-to-month basis. This arrangement could prove problematic, though, if the landlord gets another tenant and cancels the lease before the retirement date. Protect yourself in a month-to-month lease by having a right of first refusal of another tenant.

Equipment will need to be sold or stored until you can sell or dispose of it. Equipment never gets more valuable, so if you can sell it to a local surgeon, that is usually the easiest transaction. The problem is that you will rarely get someone to take all the equipment. The Internet is providing new methods of bringing buyers and sellers together. Many online equipment companies will handle everything including de-installation, packing, shipping, and training of new buyers, and even providing warranties on equipment.

Prices will vary depending on demand, condition of the equipment, and ease of transport. Generally, a practice will do well to get 25 percent of its purchase price for used items in good condition. Here are the Web sites for some companies that specialize in buying and selling used equipment and excess inventory: www.evergreenmed.com; www.mednetlocator.com; www.medplanet.com; www.medisource.com; www.mediproducts.com; www.1-medical-equipment.com (888/999-4774).

Obviously, all these issues are easier to handle if someone takes over the practice. This can be accomplished by bringing in a new associate or by having an existing practice take over the charts, equipment, and space. In most cases, the retiring physician will not be able to get much for the practice beyond the market value for the equipment and fixtures. Even if such arrangements cannot be made, it may still be economically advantageous to not have the cost of storage and retrieval for medical records.




What if I just want to slow down?



It can be very difficult to slow down a surgical practice without understanding partners, hospitals, and professional liability carriers. To some extent it is a matter of degree. If someone just wants to stop or reduce the on-call schedule, the burden shifts to the surgeons who are not retiring. Medical staff rules may require any surgeon with active privileges to take a share of call for the emergency department. Either someone will have to take this call or active privileges will need to be relinquished if the practice does not have an exception for surgeons of a set age and seniority.

The malpractice carrier may not distinguish between a full-time and a part-time surgeon. So, even though work and income are less, the malpractice premiums stay the same. Check with the carrier.

In a group practice, having one physician reduce his or her time and productivity may not reduce the overhead at all. Depending on how expenses are shared, it may only serve to shift overhead to others and not create room or opportunities to expand the practice. This action may be tolerable in the short term, but not in the long term. The time to deal with retirement is well before anyone wants to retire. It can be a difficult and unpleasant situation to face when decisions must be made quickly.

Because retirement or slowing down are usually foreseeable, it makes sense to have some provisions for these events. In the interest of the long-term success of the group, though, it is best if the arrangement for slowing down occurs over a finite period. An agreement to allow someone to slow down for 36 months allows a transition time and a target time for replacing the retiring surgeon. 

This column responds to questions from the Fellows and their staffs, and provides useful tips for surgical practices. Developed by the College staff and consultants, this information will be accessible on our Web site for easy retrieval and future access. If there are topics that you would like to see addressed in future columns, please contact the Chicago staff of the Health Policy and Advocacy Department, tel. 312/202-5150; fax 312/202-5021; or e-mail HealthPolicyAdvocacy@fac.org.