

In this handbook, we have attempted to gather our experiences over the past two decades and present them in a format that is easy to read and comprehend. Our goal is not to delve into specifics but merely to touch upon important issues that you may need to consider while taking your first step into entrepreneurship, i.e. GOING SOLO! Whether you are a resident finishing residency or a practicing physician, this handbook should help you to navigate the business of medicine.

I would like to thank Jim Gulecas, Esq. for his valuable input and advice.

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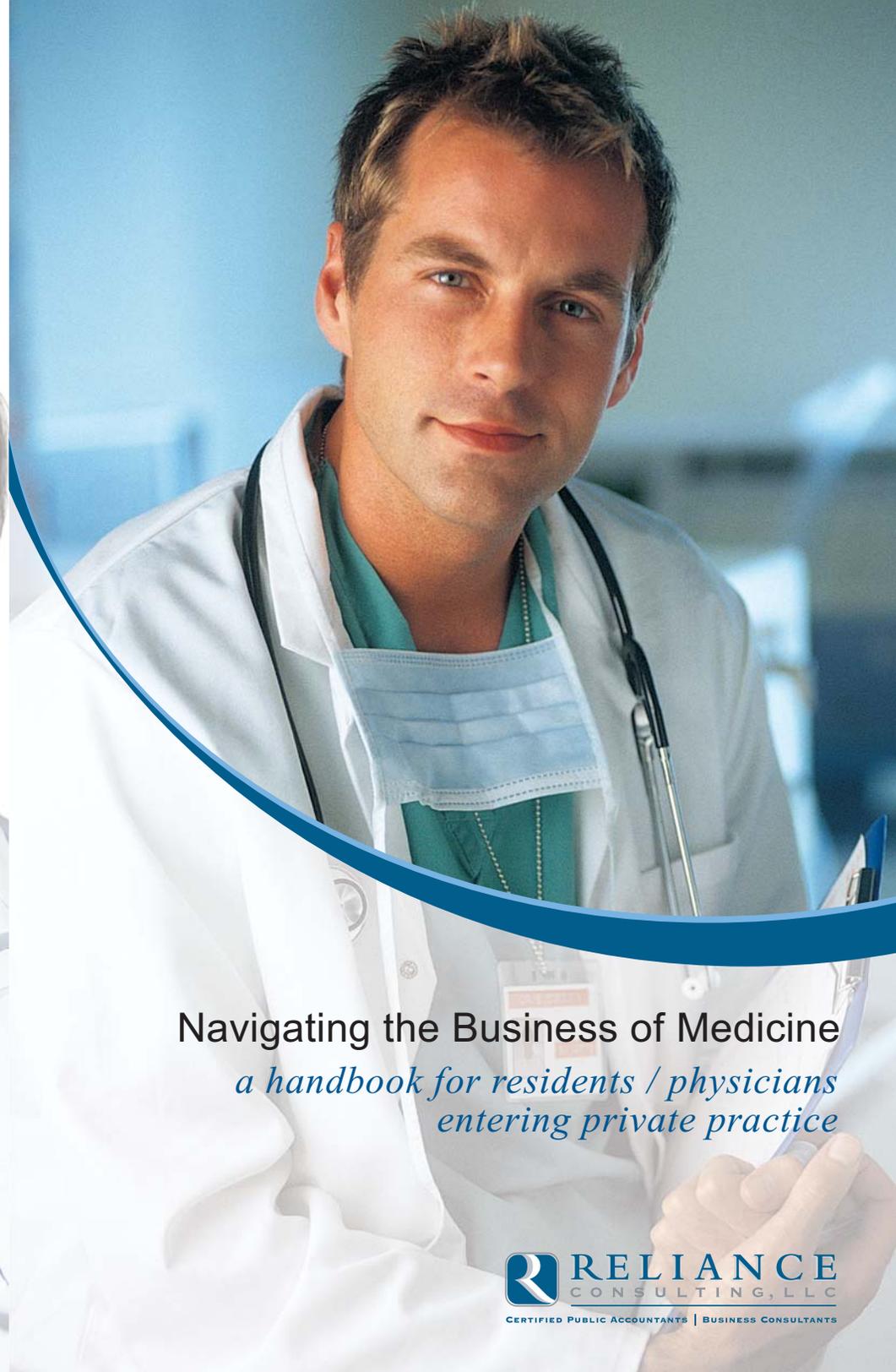


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This handbook is intended to provide general overview of issues relating to starting a medical practice and is not intended to provide advice. No liability is accepted for any reliance on any statement or representation where our specific advice is not sought.

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**Navigating the Business of Medicine**  
*a handbook for residents / physicians  
entering private practice*



the choices are endless - so where

A variety of opportunities that physicians confront today after finishing their residencies is enormous. Job offers pour from just about every source-newspapers, trade magazines, journals, hospital mailboxes and even email. Although, the end of a residency is an exciting time, it brings on various anxieties among residents who are faced with a number of lucrative yet difficult choices. The transition from the academic world to the business world is both rewarding and challenging. Navigating the business of medicine thus becomes the number one priority, as residents face three basic options:

- 1) Should I start my own practice?
- 2) Should I join a group?
- 3) Should I work for a hospital?

Most residents choose either of the first two options. These options often lead to a multitude of other questions previously never considered while undergoing the rigors of medical

school and residency. Some of the these questions include:

- 1) Where do I begin?
- 2) How do I form a business? What licenses will I need to obtain?
- 3) What tax entity should I choose for my practice?
- 4) What insurances do I need to obtain?
- 5) Should I do my own billing or outsource it?
- 6) How do I handle employee issues?
- 7) Who should review & negotiate my contracts?
- 8) How do I protect my assets from malpractice lawsuits?
- 9) How can I plan for the future? Paying of student loans? Buying a house? Retirement?
- 10) How do I manage work-life issues?

for the future and work-life issues

**L**awsuits - There are many techniques appropriate for creditor protection, such as homestead, wage accounts, life insurance, pension plans, fixed and variable annuities, tenants by the entireties ownership for married couples, charging order entities such as LLC's and limited partnerships, and obtaining liens on practice receivables. Many physicians with substantial assets establish offshore trusts. If you expect a substantial inheritance from your parents or other relatives, ask them to establish a spendthrift trust for your benefit as opposed to leaving these assets to you outright, in order to protect them from your creditors.

**Planning for the Future** - A prudent CPA should select a pension plan design to specifically meet your needs. Pension plans today offer much more flexibility than ever before and allow investments in non-traditional vehicles. Periodically checking your credit score is very

crucial in maintaining a good credit record. A credit score of at least 700 should be targeted. Credit Card debts should be brought down to zero. Deductibility of home mortgage interest has increased home ownership throughout America, but care should be taken in buying a house that you can actually afford. The deduction should not be the only decision criteria. Education IRAs and 529 plans are excellent tools for saving for kids' colleges.

**Work-life issues** - Although we don't consider ourselves as experts in art of living issues, we nevertheless, have empirical observations from the numerous physician clients we have served over the past two decades. Keeping that spirit in mind, we will keep our comments to the minimum. The financial incentive to work more is tremendous for physicians. Work-Life balance should be given its due consideration.



lawsuits, planning do I start?



## how do I form a business? tax & issues and legal matters

**T**wo very important choices at the outset are:

- o Selecting the right CPA and
- o Selecting the right Attorney

Both these choices will be extremely crucial in your long-term success. When selecting / interviewing CPAs and attorneys, ask them about the experience they have had in handling physician issues and how many physician clients they have served in the past five years. Choosing a CPA and an Attorney who are "physician specialists" will give you an edge.

**Entity Selection** - Physicians have four basic choices: *C-Corporations*, *S-Corporations*, *LLP's* or *LLC's*. Sole proprietorship, although a valid choice, is not a recommended choice for a variety of reasons. Entity selection is most crucial from the standpoint of tax planning and asset protection. Several techniques exist today to maximize tax savings while ensuring maximum asset protection. Your CPA and Attorney should guide you through this process.

**Name Selection** - Many physicians who have Corporations choose to operate as their Name and "M.D. P.A." (e.g. John Smith, M.D. P.A.), with a newer alternative as "M.D. P.L." However, specialty or location specific names such as Advanced Lung Disorders Consultants or Tampa Bay Cardiology can enhance brand recognition and also help in marketing.

**Location Selection** - Location is an important factor in determining patient volume. One can only see that evident in the number of physician offices close to hospitals. Conversely, a clinic in a remote area can sometimes be favorable if there are not too many physicians in the vicinity. Hospitals will sometimes provide a practice guarantee if the clinic is located in an underserved area.

**Licenses/Registrations** - One of the first things you will do after incorporating is apply for your Medicare provider number and register your company with various insurance companies. Review all contracts carefully before you sign them and if needed, show them to your attorney.

**B**illing is the backbone of a successful practice. The yearly write-offs by physicians due to billing breakdowns run in millions of dollars. If your office manager / billing manager is not efficient or knowledgeable about the latest in your specialty billing issues, you should outsource. We strongly advise our clients to select billing companies that have experience in your specialty and its respective CPT / ICD coding methodologies. Choosing the cheapest billing provider will save money on the front-end but most likely turn out to be more expensive at the back-end. Make sure you ask the billing companies periodic summaries of write-offs.

**Employee Issues** - The key to the success of any organization is the quality of their employees. In a physician's office, the role of nurses / aids is crucial in delivering quality patient care as well as avoiding lawsuits. Two important factors to consider in hiring the nursing staff should include personality and commitment to quality patient care. Gauging employee

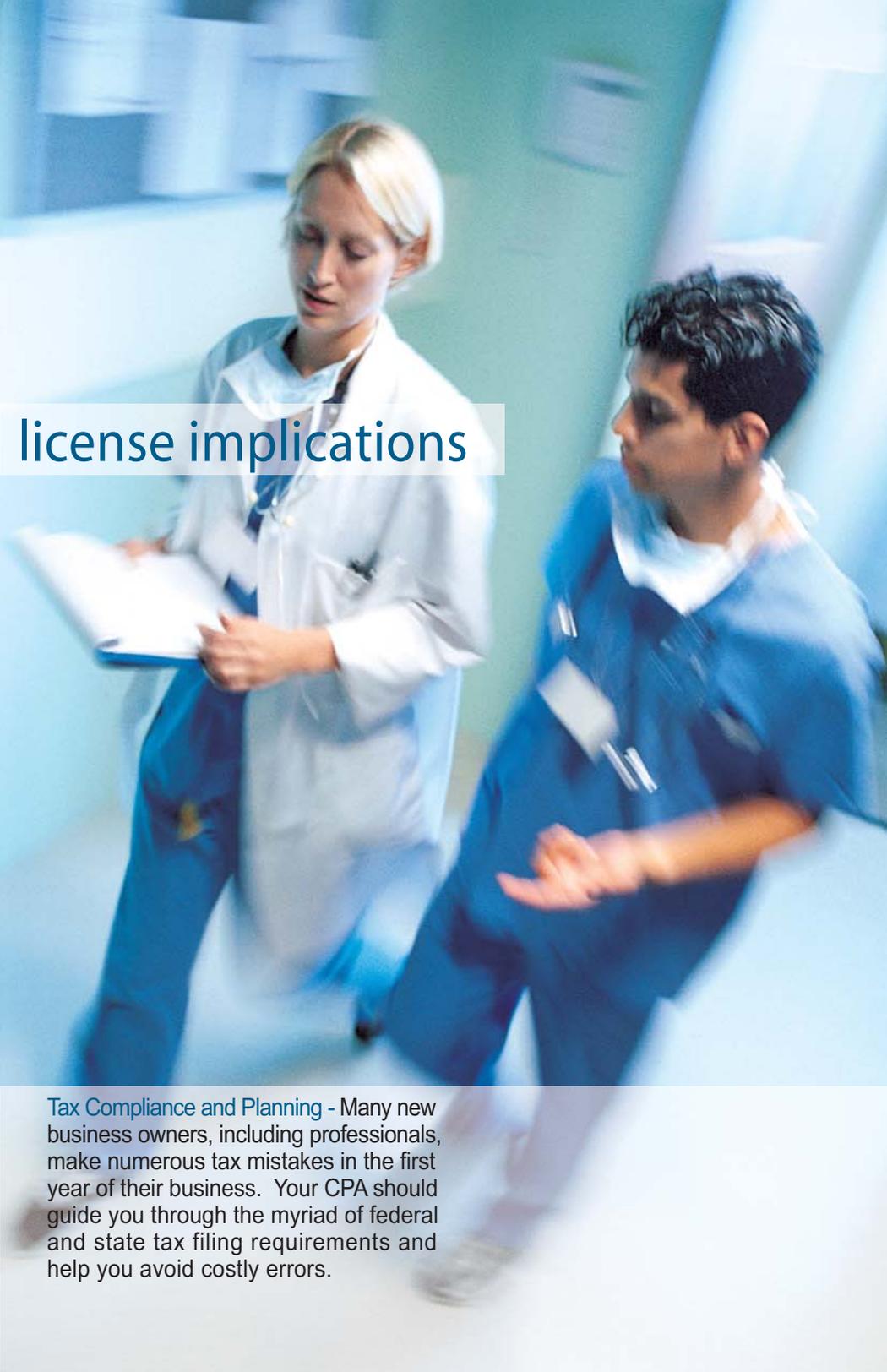
satisfaction is also important since high turnover often leads to more mistakes in treatment as well as billing. Reward your employees for good work and provide them with incentives to perform at their peak.

Consider using an employment screening service such as Omnia, which gives you a psychological profile based on a questionnaire, to help avoid hiring potential problem employees.

**Legal Matters** - Your attorney should prepare any agreements for your practice and employees and review all contracts prepared for you by others before you sign them. Tax issues and health law issues (such as Stark law compliance) come into play. Well drafted employment agreements with your employees, including other physicians, are extremely important. Negotiating managed care contracts with insurance companies is also very important as the rates set in your contract will determine your practice revenue.



billing, employee



license implications

Tax Compliance and Planning - Many new business owners, including professionals, make numerous tax mistakes in the first year of their business. Your CPA should guide you through the myriad of federal and state tax filing requirements and help you avoid costly errors.



## what types of insurance do I need to obtain?

**B**efore you open the yellow pages to look for an insurance broker, ask your CPA / attorney on brokers that specialize in physician insurance. Once again, dealing with someone who has the relevant experience will help you in getting the "best" deal.

**Malpractice** - Make sure you ask about first year discounts. Some companies will extend the discounts to two or three years. Discounts can range from 45-65% depending on carrier and specialty. Over the past decade, malpractice insurance has become one of the largest expense items on physician income statements causing much anxiety to physicians, especially in high-risk specialties like OBGYN and Neurosurgery. Once again, choose an agent that predominantly deals with physician malpractice insurance to secure a "relatively" good deal.

If you are leaving an employment situation to start your own practice, try to have your prior employer purchase "tail" coverage to cover

you for claims arising from matters occurring during your prior employment but made or reported after you left. If tail coverage is not provided, you should consider purchasing a tail policy yourself or purchasing "nose" or "prior acts" coverage for your new policy with a retroactive date to the date you began employment.

**Disability** - This is a must for all physicians, given the inherent risks of practicing medicine. Choose insurance carriers that offer specialty specific coverage. Surgeons should look into specific riders such as occupationally acquired diseases including AIDS, Hepatitis, etc. If you are leaving an employment situation to start your own practice and currently have disability insurance, try to continue your existing insurance, or if you do not have disability insurance, try to purchase it before leaving, so that coverage will be based on your current income level rather than the income level of your new practice, which will likely be lower initially.

**Office Overhead** - In addition to disability insurance to pay you if you are disabled, you should consider office overhead insurance to pay your office overhead in the event of temporary disability.

**Life** - We call this insurance the necessary evil. Although, no one plans on dying, you need to have adequate insurance to cover your debts and support your family. Consult your CPA in this regard.

**Worker's Compensation** - By law you are required to obtain worker's compensation insurance for your employees if your practice has four or more non-exempt employees, including yourself. You may exempt yourself and any other employees who are officers and at least 10% owners of your practice entity by filing an exemption form with the state. Premiums are based on a statutory formula based upon wages paid, so they are the same from carrier to carrier. Even if you are not required to obtain worker's compensation insurance,

you may want to consider it nonetheless, as employees not covered by worker's compensation can sue your practice if injured on-the-job.

**Health Insurance** - Given soaring costs of health insurance premiums, it is important to shop around with several carriers. Make sure you ask for various options that will determine premiums based on age and deductible levels. Keeping the deductible high is usually a good option to keep premiums "reasonable." It is usually easier to buy health insurance when you have a "group" of at least three employees. If your spouse is employed, it may be easiest to simply get your insurance through your spouse's employment initially.

**Umbrella Insurance** - A good umbrella policy should be purchased to cover any liabilities not covered by your other insurances.



Reliance Consulting, LLC is a full-service professional services firm that supports physicians in various areas of tax and business consulting. We assist physicians all over the state of Florida with a unique portfolio of services. These services include practice formation, legal / tax structures, tax compliance, planning, mergers, acquisitions, asset protection, group practice dynamics, estate planning, retirement planning and pension plan administration (TPA services).

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**Physician Contracting and  
Support Services (PCSS)**



CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

As part of our continuing effort to provide our clients with additional value added services, Reliance Consulting is pleased to announce our newest service offering- Physician Contracting & Support Services (PCSS).

### What is PCSS?

PCSS will enable us to deliver highly sophisticated and personalized service to physicians throughout the State of Florida. Our team of experts will be able to help many of you with your managed care contracts, reimbursement levels and claims issues.

Over the years, our tax and business-consulting experts have implemented strategies to enhance profits by prudent tax planning. The goal of PCSS is to add value to the physicians' bottom line not just by cost / tax savings but instead by enhancing the top line.

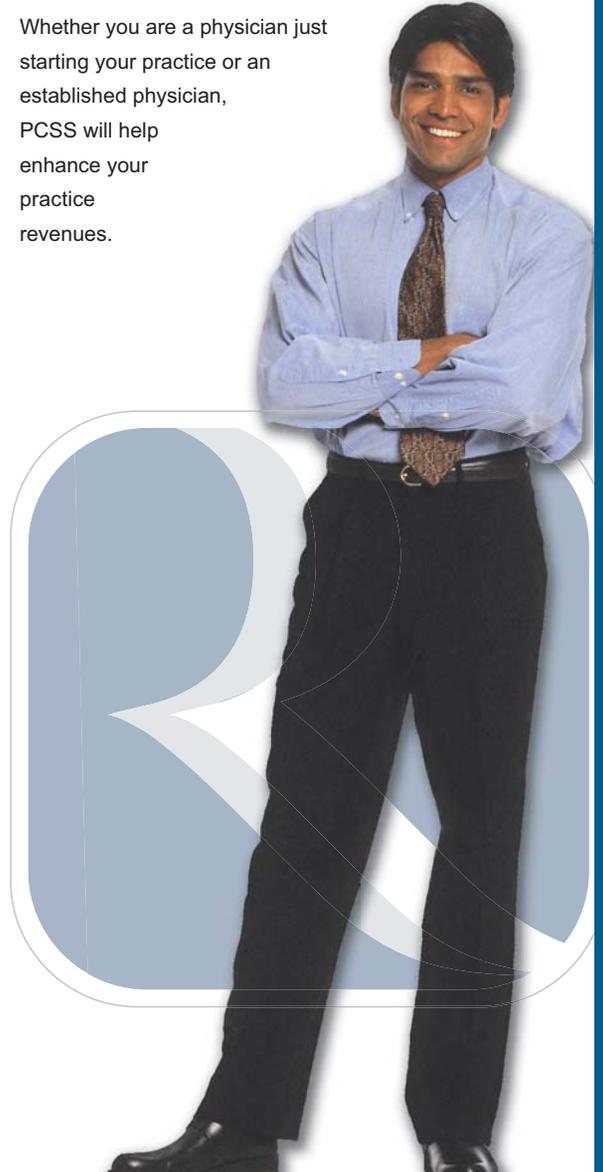
Whether you are a physician just starting your practice or an established physician, PCSS will help enhance your practice revenues.



To help launch this service, we have brought on board some of the foremost experts in the area of managed care contracts in the State of Florida. Their 25 years of experience in managed care, which includes serving in the highest levels of management, adds a new dimension of credibility and leverage for our clients. As you may be aware, the managed care industry is big, powerful and dominated by high-powered executives and bureaucracy that often leaves the physician with little or no room to determine their practice revenue. PCSS aims to change just that by leveling the playing field between physicians and insurance companies.

Whether you have HMO, PPO, or other managed care network or health plan issues, PCSS will be able to serve you in the following areas:

- Assisting with managed care company's credential processing and ensuring physicians receive approval.
- Negotiating new contracts with managed care companies to establish optimum reimbursement levels.
- Negotiating higher reimbursement in existing managed care contracts.
- Obtaining payment of outstanding claim amounts.
- Negotiating settlements with old cases where normal protocol has failed.
- Assisting physicians who may have been unfairly terminated from a managed care plan.
- Providing a Market Feasibility Study for patient-base expansion programs.



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