New career directions: Financial factors and practice models to consider

By Janet Kidd Stewart
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Driven by technology, a wave of practice consolidations and changes in the regulatory environment, some physicians are steering their skills into new ventures, practice models, or job roles that they hope will deliver a more promising financial future.

But before making the leap, physicians need to consider several factors, perhaps most importantly what a change in practice does for control of their professional and financial future.

“The whole self-identification as a physician is terribly important for doctors to work through,” says consultant Philippa Kennealy, MD, MPH. “If it’s just critically important to your identity, you’re destined to be unhappy in a next career.”

Kennealy worked in a California primary care practice for nine years earlier in her career, but increasingly felt less authority to dictate patient care as managed care gained popularity in her state. She added a part-time role as a hospital administrator, but quickly realized she couldn’t do both jobs well.

She decided to concentrate exclusively on the administrative side, eventually becoming a hospital chief executive officer and, more recently, a career coach for doctors. Her take-home pay her first year in her own business? An $11,000 loss. She was fortunate to have a working spouse, however, and the couple worked as a team to keep personal expenses in check, she says.

“Physicians are feeling a great deal of stress right now, particularly mid-career physicians. They trained with one practice model and that’s changed significantly. There are increased clinical pressures, administrative tasks, and patient metrics,” says Cathy Lanteri, MD, FAPA, a psychiatrist in private practice who also coaches other physicians. “It’s not just getting an accurate diagnosis today.”
In a survey of 2,005 physicians released in April by Cejka Search and VITAL WorkLife, 15% of respondents said stress caused them to leave their practice. Of those, however, just 52% reported that the change alleviated the stress, with the remainder saying it helped only somewhat or not at all.

“It’s a common fantasy for unhappy physicians to want to bail out when things get stressful,” says Francine Gaillor, MD, MBA, executive director of the Physician Coaching Institute. “I try to get them thinking about career expansion instead, not abandoning the white coat,” but widening the scope of their careers, she says.

Career longevity

For family practitioner Jeffrey Gold, MD, of Marblehead, Massachusetts, extending his career meant switching to a direct care model, seeing patients on a retainer basis without involving an insurer, after a decade in an employed situation.

“To be blunt, I had no other choice but to leave the current system because it doesn’t work for the two people who matter most, the doctor and patient,” Gold says. “To me, as scary as change has been, it was scarier to continue in a model in which I was doing nothing more than spinning a hamster wheel and assembly-line medicine.”

Even though he worked for a large employer that handled most back-office functions for him, onerous coding and billing issues interfered with patient care, he says. Then, about two years ago he read a Twitter post by a physician in a direct care practice boasting that his cost for migraine injections was about $8, compared with $216 in the emergency department. From there, he started researching the direct care model.

After pitching the idea to his employer (the employer passed), Gold obtained a bank loan to start his own business, but a little networking led him down a different financing path.

“One of my patients used to work in the insurance industry and uses a concierge doctor in Florida when he’s there,” says Gold. “He handed me some stuff to read before he went down there and said let’s talk when I get back.”
Instead of using the higher-interest bank loan, Gold borrowed startup cash from the patient, who charged a lower interest rate in exchange for 75% of the practice profits until he repaid the loan.

In Gold’s new practice, patients pay an annual retainer that covers most primary care services and neither he nor the patients bill a third party. Patients also carry high-deductible plans for other services. He hopes to add a partner to the business to share call responsibilities, but says he’s already much happier using the new model, even though he’s the only doctor available for the occasional evening suture.

Making it work

How’s he managing financially? He says he built a salary that is “close to” his former pay into his loan agreement with his financier, and rolled his 401(k) retirement plan from his previous employer into a SEP-IRA, which is an individual retirement account for small businesses or the self-employed that offers tax advantages with fewer reporting requirements and employee protections than a group 401(k) plan.

Going forward, he can sock away the lesser of 25% of his compensation or $53,000 (the limit for 2015) in the SEP, which stands for Simplified Employee Pension plan. Remember that if you have employees, they must be included in the plan if they meet certain eligibility requirements.

Of course, now it’s up to him to pick the right investments and make up for not having employer matching funds, key factors that often get overlooked in the rush to change practice models, some experts say.

When helping physician groups negotiate mergers, comparing the two entities’ retirement savings plans is always on the list of discussion items, says Lee Ferber, CPA, a partner at Gettry Marcus CPA who counsels hospitals and practice groups. “We typically discuss the pension plans, and usually it’s the one area that is not acted on” because merging them can be a lengthy process, he says.

Mind the details

Compensation is typically negotiated in detail, he says, but even so, key points are sometimes left out of contracts.
“Sometimes there is a straight RVU [relative value unit] formula, other times it’s eat-what-you-kill, less overhead,” Ferber says. “It’s important to get in writing what’s included in overhead, particularly for practices like cardiology when the physician is retaining office equipment,” he says.

Also keep in mind that there will be a price to pay for retaining control in a practice rather than becoming an employee. “You have to be willing to invest in technology and infrastructure to share in the possible upside of the new value-based payment models,” Ferber says. “You want to be in a position to say to a payer, ‘I cover quite a large number of lives and we can collaborate to provide better care at lower cost.’ That’s the future of medicine that doctors at first said was never going to happen, but it’s happening.”

Also remember there are startup costs associated with any new venture. Family practitioner Angela Kerchner, MD, recently earned a certification in integrative medicine and is working as a hospitalist while she prepares to launch a direct care practice that combines family practice, integrative and holistic medicine.

She hired an attorney and a business strategist, and attended a week-long business course to learn about branding, messaging, and details on protecting her corporation. “I’ve spent the last several months brushing up on business skills and taking care of the legal and compliance issues that needed to be addressed, and now hope to find a venture capital team to help launch the practice,” she says.

Just a tweak

Some physicians aren’t looking for a change at all, but have it thrust upon them. That’s the position cardiovascular surgeon Brian Wilcox, MD, found himself in about two years ago when the partners in his 62-physician cardiology/CV surgery practice partners tapped him to be the practice’s lead physician executive, a new position for the group.

He still maintains about 75% of his former surgery load, while also working as a .75 FTE administrator. “Some of the stressors are larger than I anticipated,” he says, mostly due to juggling between unpredictable patient care and administrative meetings. He finally had to stop scheduling patients on administrative days.
The payoff: A different kind of career satisfaction. “Clinically, you perform an operation and a few hours later the patient’s life is a lot better. With administration, you have three- or five-year objectives, so it’s a very different paradigm. Quick fixes are rare, but you get to pull people together and see long-term results,” he says.

A traditional career path often includes a clinician taking on a medical director role, and then becoming energized by something in the role, says Joel Sauer, MBA, vice president, consulting, for MedAxiom Inc. and a former practice manager for a 23-physician cardiology practice.

“I do see some physicians quitting their practices for administration, but usually they don’t quit entirely because then they’ll be seen as a ‘suit,’” says Sauer. “It seems to be best if you can maintain some semblance of a practice.”

What trips up many clinicians, however, is relying on the kind of crisis-management thinking that medical school teaches. “Physician training is anathema to human resource management. It’s all about life and death and acting on information very quickly, which can get you in big trouble on the management side,” Sauer says. “Also, the data they work with are more fluffy, which drives physicians bonkers. And they don’t like legal, accounting, and HR departments, which are all necessary evils to keep you out of trouble.”

Another pitfall to avoid, says Gaillor, is believing that the grass really is greener in every other career. “There just aren’t many careers that pay as well as being a physician,” she says. “Medicine is still one of the most stable career paths you’ll have. So if you do leave medicine for an administrative job be aware they often last three to four years and then you need to be looking in other markets for the next thing. I had one client in a medical leadership role and the whole leadership team was replaced. It was very unsettling for him and he went back to clinical practice.”

**Keys to success**

A few additional points to keep in mind when thinking about a career change

*It might be less costly than you think*

Afraid you can’t afford to take a pay cut? Do the math. Late-career physicians in the highest tax bracket who are also contributing a sizeable amount of salary to retirement plans often are actually living on far
less than those gross salary amounts. Assess your basic living expenses and your must-have discretionary items, then compare that figure to the potential lower salary to see how much you’d have to supplement your new income from retirement accounts. Financial planner Jonathan Guyton believes you can take an initial 5% from savings for income in the first year provided you’re willing to take a modest pay cut if markets perform badly in later years. (See more at: http://bit.ly/safe-withdrawal-rates).

_Monetizing You, Inc_

Are there aspects of your expertise you could make into a curriculum for delivery over the Internet? High-level wellness content could be a good fit for primary care physicians with a passion for nutrition and fitness, for example, says David Gruder, an organizational psychologist with CEO Space, which offers training to aspiring entrepreneurs.

_You might be heading back to class_

Be aware that you may be expected to get another degree, says Robin Singleton, managing partner with Healthcare Services & Solutions for executive search firm DHR International. That could mean an MBA, master of medical management (MMM), or advanced training in healthcare data analytics, she says.

_Don’t forget the bean counter_

If you decide to sell your practice to a hospital or group, hiring the right tax adviser is crucial. “If a doctor can just sell stock in the practice, that can sometimes be done as capital gains, instead of ordinary income,” says Saul Rudo, director of the tax-planning practice at KattenMuchinRosenman LLP. Particularly with the new Medicare surtax now in place, receiving income at lower capital gains rates not subject to payroll taxes will put more money in your pocket.

_If you just don’t know_

Want to make a change but have no idea where to begin? Personality assessments are a common starting point, but executive coach Michael Melcher of Next Step Partners has clients contemplate some blue-sky career moves, even if there’s little chance they’ll pursue them. “Do they really want to keep the same type of practice but do it in a different part of the country? Move into global health? Open a bed and breakfast in Vermont? Write a paragraph about what their lives would be like. Most great career leaps start as small ideas.”

_Don’t go it alone_
Former pediatric oncologist and medical school dean Philip Pizzo, MD, is founding dean of the Stanford Distinguished Careers Institute, a new, year-long fellowship program that gathers leaders from a variety of fields and puts them through individualized curricula aimed at helping them re-tool and network to extend their working lives. “When I was a pediatric intern many decades ago I witnessed physicians in their late 60s and early 70s who didn’t see the signs of transition and needed to be moved away from practices. Potentially, this type of program can forecast a better life journey.”