

ADVENTURES IN MEDICINE

Career & Life Planning

Survival Guide



*Understanding
Business
Arrangements*

Discovery Resource

ST-11

Understanding the Different Business Arrangement Options for Physicians

Physicians typically practice in one of five business settings – anything from a solo practice to locum tenens positions. Each of these setting has its own pros and cons and each can impact compensation and opportunities for growth and personal or professional development.

Understanding these various business arrangements will increase your likelihood of selecting the one that meets your individual career needs. This guide provides an overview of the primary business arrangements available to physicians and answers some basic questions about their advantages and disadvantages.

COVERED TOPICS

- **Why is it crucial for physicians to know the business side of their medical practice?**
- **What are the different types of business arrangements?**
- **What are the pros and cons of each type of arrangement?**
- **Are physicians typically involved with just one business arrangement for their entire career?**
- **Are some business arrangements more common to certain medical specialties than others?**
- **Will the same employer give you a choice?**
- **What criteria/guidelines should you consider when determining which business arrangement is best for you?**
- **Do each of these arrangements typically involve a contract?**
- **If I want to change employers or start my own practice, are some business arrangements more difficult to break than others?**
- **Tips**



Why is it crucial for physicians to know the business side of their medical practice?

Today, more than ever, physicians need to understand the business principles of running an effective practice. Increased malpractice rates, cost of living increases, decreased payer reimbursement and Medicare cuts impact business matters such as cash flow, liability and profit margins. Although physicians do not need a business degree, basic business skills will lead to successful practices.

What are the different types of business arrangements?

Solo-Practice Setup

Solo practices can be set up a few different ways. First, they can be supported by the hospital through an income guarantee. Second, physicians can set up their own practice if they are self-funded or if they choose to leverage a bank. This practice arrangement is for these physicians who prefer to work on their own and seek full autonomy of their practice.

Partnership/Shareholder

Some medical practices are owned by a group of physicians. To attract new physicians, many physician-owned groups offer a “track” to partnership. In such cases, the new physician works one to three years as an employee and in some unique cases up to five years. After the term of employment, the physician has an opportunity to be “voted in,” or promoted to partner by the partnered physicians. The new partner has to buy-in (i.e., pay a fee) to be legally considered a partner. The buy-in range can vary from a minimal buy-in that is paid through bonuses to large payout stipends that involve co-owning buildings, land, and/or equipment.

Academic

For physicians with high grades and an outstanding academic career, they may consider a teaching position in a medical school. Competition is much greater, however, because of a lack of teaching positions available as compared to practice.

Employed Position for MSG/SSG

This type of business arrangement provides the physician the opportunity to try out a multi-specialty or single-specialty group before committing long-term or buying-in as a partner. However, having less autonomy is a potential downside. As an employee, a physician is usually offered a guaranteed salary and a productivity bonus. In some cases, the employee may have an opportunity to make comparable income to the partners within the group. Another benefit is a physician-friendly environment.

Independent Contractor

An independent contractor is similar to a solo practitioner except that the physician contracts with a hospital or group to provide a service for a specific amount of money per year. Taxes are not paid through the organization, but instead become the responsibility of the contracting physician. Independent contractors open up their own business and pay their own health insurance, car expenses, and all other related business expenses. Emergency medicine physicians and radiologists are often independent contractors.

Locum Tenens (substitute physicians)

For physicians who enjoy traveling and flexible work schedules, working with a locum tenen organization might be very attractive. This arrangement, allows physicians to choose their own hours and the number of days they would like to work. The locum tenen organization then plans out their work schedule and sends them on assignment.

Pros and cons of each type of business arrangement:

Solo-Practice

Pros:

- Complete autonomy
- High reward

Cons:

- High risk
- Little backup

Partnership/Shareholder

Pros:

- Opportunity to be employed before making a lifelong commitment
- Opportunity to be part of the decision-making process when partner status is reached

Cons:

- Multiple partners may have different philosophies
- Chance of not being voted-in as a partner

Academic

Pros:

- Opportunity to teach and give back
- Able to develop the next generation of physicians
- Generally a highly stable environment

Cons:

- Pay can be 20 to 30% less than other types of practices
- Little opportunity to earn additional compensation beyond base salary

Employed Position for MSG/SSG

Pros:

- Opportunity to be employed before making a long-term commitment or buying-in as a partner
- Physician-friendly environment

Cons:

- Less autonomy

Independent Contractor

Pros:

- Flexible hours — work when needed or desired
- Opportunity to write-off business expenses

Cons:

- Inconsistent hours and schedule
- Less security

Locum Tenens

Pros:

- Opportunity to travel
- Lots of flexibility
- Able to experience many different types of practices

Cons:

- Long-term travel can be wearing
- May have to travel to undesirable communities

Are physicians typically involved with just one business set-up for their entire career?

Most physicians become involved in one type of career arrangement for the duration of their career. However, this is a personal choice. For some physicians, it makes sense to shift business arrangements as they gain experience and their careers advance, and as their personal and professional goals change.



Are some business arrangements more common to certain medical specialties than others?

No. Many primary care physicians and many sub-specialists have the opportunity to work in most business arrangements.

Will employers give physicians a choice?

Not usually. When an employer is hiring, the organization has one business arrangement that best meets the needs of its physicians and community and it seeks physicians who desire that organization's business model. However some groups and hospitals, want to attract top physicians to support their community. Rather than trying to fit that physician into their infrastructure, these groups and hospitals offer him or her a few choices. Their goal is to work with the physician to meet his or her needs and create a relationship that will result in a long-lasting tenure.

What criteria should you consider when determining which business arrangement is best for you?

When determining which business relationship is best for you, consider the following questions:

- Do I prefer to work alone or in a team environment?
- Do I prefer to make my own business decisions?
- Do I prefer to have support while building my practice and then be rewarded with the opportunity to make decisions as a partner?
- Do I prefer to have more flexibility and quality of life or an opportunity to advance my career?
- Do I prefer to travel or do I want a stable and consistent place to work?
- Do I prefer to lead or be lead?
- Do I thrive on a challenge or prefer a safe and known situation?

Do each of these arrangements typically involve a contract?

Yes, with the exception of the solo practice.

If I want to change employers or start my own practice, are some business arrangements more difficult to break than others?

Yes. If you want to break your income guarantee contract, there could be a significant penalty depending on a number of circumstances. However, with a guaranteed salary contract, you can generally give a notice that ranges from 30 days to 6 months. Independent contractors and locum tenens are the easiest business arrangements to break. If you are a partner, it may be more difficult to separate from the partnership, depending on the circumstances and the partnership obligations.

Tips

- Do your homework
- Write out what is important to you and the goals for your life and choose an opportunity that will support those goals and have work-life balance
- If you have a significant other, consider their advice and guidance
- For more information visit our website at: www.getbalance.org