Thinking About Retirement?
Key Considerations to Help Physicians
Prepare for and Transition out of Practice

Dixon Davis, MBA, MHSA
Senior Consultant

Financial Disclosure

Dixon has the following financial interests or relationships to disclose:
BSM Consulting – C

Dixon is a Senior Consultant at BSM Consulting. BSM Consulting provides practice management solutions to specialty care providers, including the online resource BSM Connection® for Ophthalmology.

The Career Path

THE NEW PHYSICIAN
OUT OF SCHOOL
READY TO CONQUER THE WORLD

SHE’S INTO HER CAREER AND FIGURING OUT HOW TO BEST BUILD HER PRACTICE

ESTABLISHED PRACTICE AT THE HEIGHT OF HIS CAREER BUT WELLY RESPECTED

WORKED HARD, BUILT A GOOD PRACTICE, GOOD REPUTATION, READY TO NOW SLOW DOWN/TRANSITION TO RETIREMENT
I'm Retired….Now What?

"You told me I invented enough money to enjoy a comfortable retirement. But my back aches, my knees hurt, I have leg cramps...YOU CALL THAT COMFORTABLE??"

Questions we hear from physicians approaching retirement

- How can I slow down and transition to working part time?
- Can I stop taking as much call since I've been doing this for so many years?
- Do we need to hire a new physician to replace me?
- How far in advance should I start thinking about transitioning to retirement?
- What will happen to my patients and my staff?
- I want to retire, what options do I have for selling my practice?

Financial Dilemma for Slowing Down

**Revenue**

Less work = less collections

**Overhead**

**Solo practitioner**
- Must still cover all operating expenses

**Group Practice**
- Overhead shared equally affects MD directly
- Production based overhead affects other partners
Financial Challenge for a Solo MD

PRE
Slow down
$550,000 COLLECTIONS
$1,000,000 OVERHEAD
$450,000 EARNINGS

POST
Slow down
$450,000 COLLECTIONS
$500,000 OVERHEAD
$50,000 EARNINGS

How are staff and patients affected?

The Financial Challenge in a Group

PRE
Slow down
$550,000 COLLECTIONS
$1,000,000 OVERHEAD
$450,000 EARNINGS

POST
Slow down
$411,548 COLLECTIONS
$900,000 OVERHEAD
$87,455 EARNINGS

How will other partners be affected?

Can I still be a partner?
Can I afford to work part time?

Succession Plan

Specific to each practice
Culture of group
Demographic of the practice
Future goals
Solo practitioner vs Group Practice
To Illustrate how groups may differ and affect our succession planning process

**GROUP 1**
- All partners share net earnings equally
- Some are busy others are not but would like to be
- Some want to stop doing surgery
- One less busy MD enjoys surgery

**GROUP 2**
- All partners “eat what they kill”
- All are very busy and value life balance
  - Stopping surgery means stopping call
  - More money for more call is of little interest

Options for Solo Practitioner

1. **Sell the practice:**
   - To someone in the community
   - To someone outside community
2. **Merge with another group in the community**
   - Is there a cultural match?
   - Allow time for benefits to occur
3. **Recruit a new physician to take over**
   - Timing and Transition can be tricky
4. **Slow down and try to reduce expenses**
   - Expense reduction can be tough
   - Effect on staff and patients
5. **Walk away and close the doors**
   - HR and Financial Considerations
   - Leases and A/R

Options for MD in a Group Practice

1. **Give notice and retire from practice**
   - Sell shares or deferred payment option
   - Ideally the process for this is already documented
2. **Slow to part time and become an employee**
   - Different compensation plan
   - May have to work when/where best for the group
3. **Hire new doctor to assume overhead, take call, and provide access for patients**
Group Scenario

Case Study:
- 6 partners, oldest is nearing retirement
- Buy out option in contract when retire
- Thinking he doesn’t want to quit all at once
- Wants to take less call, and less surgery, part time
- Enjoys being a partner and being involved in decisions
- Current production based compensation model

Things to Consider:
- When one person reduces call, others will have to pick it up
- Under a production model, part time may not pay the bills
- What are requirements of a being a partner?
- Who will take over existing volume if he slows down?
- Do we have a provision for how to pay a part time physician?

Possible Results

Give 2 years notice and decrease call during transition
Amount of call time added to the other partners is capped
Transition from partner to PR associate paid on % of collections
No longer partner. Other partners can recruit and direct operations.

Physician is able to continue practicing at slower pace while respecting the status of partner and planning for the future success of the practice.
Succession Plan Considerations

Plan at least 2-3 years in advance when possible

Have written guidelines for partners retiring

Consider minimum number of work days and/or productivity threshold for full-time partner status

Keep good relationships with other practices in the community

Consider minimum number of work days and/or productivity threshold for full-time partner status

Keep good relationships with other practices in the community

Consider patients, staff, and personal legacy

Keep good relationships with other practices in the community

Dixon Davis, MBA, MHSA
Senior Consultant, BSM Consulting
ddavis@bsmconsulting.com