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Does Your Practice Need a Partial Retirement Policy?

If your dermatology practice is like many, you have the financial pressure to make the most use out of all your available resources, including the most costly one: the physicians. A dilemma in physician compensation merges when one of these financially well-off doctors has reached a point where he or she cannot handle the demanding pace and lifestyle typically kept and desires a less-intense schedule. Your practice will need to decide how to compensate this physician for a limited workload and how to handle his or her partnership status.

Many of the physicians experiencing that are feeling overwhelmed or “burned down” started to practice medicine before Stark II regulations and when fee-for-service was the only type of payment heard of. During this time, malpractice insurance premiums were still manageable, and a solo practice was standard. Now these physicians might be beginning to feel angry and confused with the myriad of changes in healthcare, and are ready to retire early. The doctor hasn’t yet reached the complete “burnout” point, but is showing classic symptoms of approaching it. Careful investing can usually allow these doctors to accept a reduced income through a partial-retirement offer, yet still function as an integral member of the practice.

Your dermatology practice needs these senior physicians, for their clinical expertise, to mentor young associates, and to maintain patient and referring doctor satisfaction. Nonetheless, the harder the doctors work, the more they suffer, and the less productive they become. Retirement becomes a good chance to preserve a lifestyle as productivity declines.

How should your practice deal with this? Some groups have successfully dealt with this issue on an informal level as the situation presented itself. Others trying this approach have had less than favorable results. It is in the best interests of your practice to prepare for a partial-retirement request ahead of time with a formal policy. The guidelines should be customized to reflect your practice’s present and future situation. Once a policy is adopted, incorporate it in the practice’s corporate and inter-doctor agreements, and keep it regularly updated.

The Policy Itself

Assuming that the partners have decided to allow partial retirement, eligibility is typically the first question to be answered. Should a member who is 50 to 55 years old be entitled to partial retirement status at all? Must there be a minimum number of years of service with the practice to qualify? Many groups set this number at 15 years.

You must also consider the possible situation of a member cutting down his or her activity level due to a health problem before being qualified in age and in years of service. You may want to consider allowing partial retirement for a health reason if a lesser eligibility standard has been met, such as ten years.

It is impossible to decide on a reduced pay level that will exactly reflect a member’s reduced activities. Your practice may determine that payment directly corresponds to productivity, whether it is gross charges, net charges, or actual collections. Be aware that such a productivity payment fails to recognize senior members’ greater or lesser usefulness once they are no longer fully active. However, these physicians may still offer valuable leadership and “rainmaking” skills that go above a straightforward dollar production.

Make sure that a component of the plan is a specific application process. Your practice must be informed of a member’s intentions of scaling back his or her activities well enough ahead of time so the partners can decide how to accommodate the request. It is generally a good idea to require a physician

seeking partial retirement to apply in writing from 6 to 12 months before the effective date. Unless your practice has an automatic compensation formula, the request should also indicate a proposed salary reduction.

A crucial part of a partial –retirement policy is the issue of partnership. A physician that goes into partial retirement must cease to be a partner. This individual must sell back their interest in the corporation or partnership and any other related properties. If a physician isn't fully involved in all aspects of the practice, he or she cannot be permitted to participate in decisions that affect it, nor can he or she take part in the risks and rewards that come from full involvement.

In Summary

Partial retirement issues can create disputes and difficult problems, even for group practices that are generally compatible. However, if your practice doesn't have a formal method of handling a partial retirement request and a physician desires to phase down his or her schedule, the situation can become worse.

The partners have worked diligently to build and maintain a successful medical practice, and each partner has an obligation to adapt to each member's special needs, as long as they do not disrupt the practice. Update your partial-retirement policy regularly, and enforce it universally and fairly.

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