



# CHANGING GEARS: HOW TO DEAL WITH THE CHALLENGES OF PHYSICIAN TRANSITION IN YOUR PRACTICE



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Are you prepared for the associate who wants to “slow down” or your partner who needs more time off so that he can take care of an ill loved one? We are talking about physician transition – changes in the pattern physicians typically work in your practice. Today’s medical practice does not look the same as it did ten years ago. Each day practices are faced with doctors who may want to take less call, more time off or reduce their patient hours. What is driving this change? Some physicians may be preparing for retirement, but do not want to stop practicing entirely while others are choosing to spend more time with their families. Whatever the reason is behind the physician transition, it is best to be prepared and have a plan in place before someone in your practice requests a change in work schedule.

## Why Do You Need a Transition Plan?

Most successful practices have a physician compensation plan in place to provide the framework for how physicians will be paid for providing services. Having a plan in place to deal with changes in physicians’ work schedules is just as important to the continuity and progress of your practice. By thinking ahead and creating a formal plan to deal with physician transition, a practice is able to:

- Be proactive about physician recruiting
- Avoid offering “one-time deals” to demanding physicians
- Effectively plan for physician retirement
- Ensure the financial viability of the practice during a transition
- Offer solutions for dealing with reduced hours, life events, individual pursuits and changes in practice

Having a plan in place before one of your doctors asks for a change in practice means that you don’t have to recreate the rules every time you are faced with this situation. A physician transition plan is a “playbook” that should be used to navigate your way through difficult requests and provides the structure needed to keep everyone on the same page – delivering quality and accessible health care.

## How Do You Develop a Plan?

Now that you know you want to develop a transition plan for your practice – where do you start? It is critical to assess how the owners of the practice feel about transition. Is transition viewed as an entitlement, or does a physician have to meet certain criteria before he or she earns the ability to change his/her practice patterns? This may seem like a minor difference in philosophy but it will have a major impact on how a practice designs its transition plan. If your practice believes that once a physician becomes an owner he or she has the right to set his/her own schedule then you should be prepared to deal with the effect on the other physicians’ workloads and quality of life. Also, what will the impact be on wait times for new and existing patients? If your practice views transition as being earned over time, how do you handle multiple physicians requesting a change in practice at the same time? The transition plan should set these limitations in advance so that the expectations of your practice and physician owners are clearly defined and communicated.

Once you have established the practice's view on transition, it is time to define the "norm" or the requirements of a full-time physician. Here it is important to outline the following key components:

- Clinical care schedule (hospital v. office)
- On-call rotation
- Personal time off (PTO)
- Productivity and quality benchmarks
- Participation in meetings (practice and external)
- Practice management responsibilities

By predetermining full-time status, it is then easy to identify a request for a transition; in at least one of the key areas the physician requesting the work change is not going to be able to meet the standard.

### Assess Your Practice First

Before you can begin to develop the transition plan, it is essential for your leadership team to perform an assessment of the practice. This assessment includes an examination of the physician demographics, including the current age of each doctor and anticipated retirement age. Many practices with a concentration of physicians in the same age group fail to effectively plan for physician transition. This could be a very costly mistake and, without proper limits, can bankrupt a practice or put an undue burden on younger physicians. It could also preclude the practice from being able to attract new physicians who might realize the financial obligation to their retiring associates. The assessment should also consider both the requesting physician and practice's views on how a transition will affect the requesting doctor's lifestyle, compensation, leadership role in the practice as well as the impact on the existing physicians. It can be difficult in this part of the assessment to maintain balance between competing and sometimes conflicting viewpoints. The transitioning physician is trying to have clarity so that he or she can make an informed decision, while the practice is struggling to maintain control over physician manpower and financial obligations.

Now that your assessment of the practice and physician group is complete, you are ready to move into the development stage of your plan. This phase of the plan deals with the following key areas:

- Full-time physician
- Partnership status
- Time conditions
- Treatment of ancillary revenue
- Plan details

### What Defines a Full-Time Physician and Partnership Status?

Full-time physician status as outlined above should be predetermined based primarily on clinical care hours and productivity. At what point does a physician working outside the norm cease to become a partner? A general rule of thumb in this area indicates that a part-time partner works anywhere between sixty to seventy-five percent of a full-time partner and anything below the sixty-percent benchmark would cause a physician to lose partnership status. Keep in mind that this should be customized for your practice, but it is critical to keep the overall goals of the practice in check.



### Do You Need Time Limits?

If a physician is choosing an alternative work pattern, is there a time limit on how long a physician can practice this way before a triggering event? For example, a physician who decides not to take call may only practice this way for a two-year period and then the doctor will lose his or her partnership status or employment. Time conditions can be as restrictive as the practice chooses; however, the time conditions should be clearly spelled out in the transition plan.

### How Will You Treat Ancillary Revenue?

Is a physician who has elected to transition eligible to share in the ancillary income of the practice? If partnership status is maintained, do physicians get equal shares of the ancillary revenue or do they receive a partial share? Here it is important to consult with your healthcare attorney to counsel on various federal and state regulations that deal with the distribution of ancillary income.

### Planning the Details...

Finally you are ready to deal with the details. It is no surprise to most of you that the details are closely tied to financial impacts. Plan details include the treatment of on-call schedules and physician compensation. Call schedules are a sensitive issue in most practices where all of the physicians are equally sharing call. Once a partner requests a reduction in his or her call schedule, the partners view of “equity” flies out the window; therefore, any reduction in call needs to have a financial impact to temper this effect. Some practices choose to pay physicians who take call on a per-call basis, while other practices choose to penalize the requesting physician with a reduction in income based on what the market is paying or a price per reduction in call.

Physician compensation for transitioning physicians should be clearly defined in the practice’s existing compensation plan. If a practice has a productivity-based compensation plan and a physician requests a transition, he or she will naturally be less productive. This method is effective for transitions because it self-adjusts based on the change in the physician’s productivity. If your practice has an equal shares compensation arrangement, a physician transition must be computed to equate to an FTE (full-time equivalent) basis. For example, a requesting physician chooses to work three days per week when the norm is five days. This would compute to a 0.6 FTE for equal share compensation purposes.

In conclusion, keep in mind that one set of rules will not apply to every physician practice. Each practice is unique in its views on change in physician work patterns. However, no matter what your practice philosophy is about changing gears, having a physician transition plan in place is the best way to navigate this path.

As one of the leading accounting and consulting firms for physician practices, Cowan, Guteski & Co., P.A. understands how transition plans can affect your practice. Contact Deborah Mathis, CPA, CHBC, Director – Healthcare Services Group at 732-349-6880 extension 114 or [dmathis@cowanguteski.com](mailto:dmathis@cowanguteski.com) to discuss your particular situation.

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