Ensure the Future of Your Practice Through Early Succession Planning

In uncertain economic times, planning for the future is critical to maintaining a business, and an oncology practice is no different. Key physicians may leave at any time for many reasons, and your group will need to be prepared to fill the remaining gaps. How will you redistribute patients? How will you communicate changes in care to patients? Will you search for replacements outside the group or expect younger physicians to take over as some partners retire? How will you portray your strength to the outside forces affecting your business during this vulnerable time? What will your referral base look like after the departure of a key physician? How will you reassure younger physicians to maintain the stability of the practice?

Having written succession plans prepares your practice for departures from your group and helps maintain the loyalty of patients—as well as referring physicians—by providing them with seamless care. The simplest definition of a succession plan is an action plan for filling the role of a physician or key leader within a business.

“Succession planning is a risk management best practice and is crucial for any organization,” says Lisa Burford Hardmon, a succession planning consultant with Transition Guides in Silver Spring, Maryland. “It minimizes risk during a transition and supports organizational sustainability.”

Despite their importance, plans are not in place in many medical practices and even large corporations. Some studies have shown that fewer than 30% of private business owners have succession plans, and approximately 60% of large companies have plans for their highest level executives only.^{1,2} It can be uncomfortable discussing who will replace a senior physician or executive, but putting a plan in writing now can prevent infighting later.

Many businesses hope they will not need succession plans, but it is best to be prepared for the unexpected. When Steve Jobs, chief executive officer of Apple, took a medical leave of absence earlier this year, Apple received numerous questions from shareholders and consumers about its succession plan. Stock prices plummeted on the basis of false reports of his health. Your business may not fluctuate as significantly because of a transition, but your patients rely on you for their health, and maintaining their confidence during a time of transition is necessary to make your practice thrive.

The Basics

The two types of plans all businesses need to have are emergency and departure-defined plans. Emergency

succession plans pull together all the necessary information and place it on a shelf until needed, with necessary updates made as people and operations change. Departure-defined plans use the same basic information, but they may involve more goal setting and planning on the basis of predetermined dates.

In a practice, at minimum, the most productive physicians and key executives should have succession plans. You will need to determine if there are benefits to be gained from succession plans for any other positions in your practice. After deciding which positions require plans, Burford Hardmon says there are four basic elements to include, which apply to both emergency transition and departure-defined plans.

Key Functions

To find a replacement for either an executive leader or practicing physician, you need a clear job description and description of daily operations in your office. This is the foundation for a successful plan because it outlines the expectations for any replacement, whether you search within or outside the group. It can also provide you with a basis for training younger physicians who may be called on to fill in for a busy physician who has left the practice. Remember to keep this position description and plan up to date as your office procedures and responsibilities change. A good rule of thumb is to review the job descriptions of all key members of the leadership team every 3 years and job descriptions of physician positions every 5 years.

Communication Plan

Determine who should be notified if a position becomes vacant. If a physician leaves your practice, you will need to communicate with patients immediately about whom they can call for follow-up care. For changes in care as a result of a physician's retirement, Hematology Oncology Associates of Illinois, a practice with eight offices and 26 physicians spread throughout the Chicago area, has drafted a letter that is sent to patients as the retirement date draws near. This letter details what is going to happen and whom they can call for follow-up care. It is important that you check with the state medical society or state board of registration, because some states have specific rules about time lines and patient notification. As part of your emergency succession plan, you can draft a letter to send to patients, filling in names and other details when the time comes. Clear, timely communication of a change in care is critical to maintaining the trust of patients as well as business partners.

Communicating a change in practice leadership both within a practice and to the outside world requires planning. If the

leader of the group is a physician, he or she may be the face of the company, and in this case, the loss of this person could fundamentally alter referral patterns and emerging business opportunities. Younger physicians recently recruited to the group may feel abandoned or uneasy if the physician leader leaves shortly after their arrival. Ensuring a successful transition requires a thoughtful and transparent approach. Mentoring new physicians before a transition can lessen some of this uneasiness. Referring physicians and their groups will need to be assured that their patients will receive seamless care. Adequate time should be provided for the departing leader to mentor the new physician leader, and business entities with which the group interacts should have the ability to engage with the emerging leader while continuity with the departing leader is available. This is even more important now as forces such as payers, group purchasing organizations, and business or banking contractors are scrambling in an uncertain economy.

Cross-Training

Decide how you want to fill a vacant position. A new practicing physician will need to understand the daily operations of your office and become familiar with your patient population. Having a formal training or mentoring plan in place can help the transition proceed smoothly. For an unexpected physician departure, develop a plan for how the remaining physicians should distribute the patient case load until you find a replacement.

Leadership positions in the practice, such as president or chief executive officer, should have clear job descriptions and duties, which should be shared on some level with officers of the company or other key leaders. Having defined roles within the hierarchy of leadership will allow for smoother transitions, if necessary. Nonphysician leaders in the company or practice, such as the business manager, director of finance, operations officer, and so on, must have a good understanding of the practice, its strengths, and its weaknesses to assist in the process of transitioning to a new physician leader.

Relationship Management

Everyone has his or her own address book of business contacts. This information should be in a central location so that important relationships are not lost if one person leaves a practice. Determining how you will disseminate information to your key contacts will eliminate the uneasiness that they will inevitably experience during a change in leadership. Clear succession planning, transparent written communication, and honest interpersonal dialogue will help ensure continued business relationships.

Accurate record keeping and open communication are critical to the success of any succession plan. Burford Hardmon recommends starting the discussion of the plan by evaluating your existing office policies. Long-term and short-term

disability policies as well as retirement policies are excellent starting points for beginning the process. Many offices have these policies in place, even if they do not have formal succession plans. After reviewing these policies, you may realize you are farther along the path than you think. In addition, you will need to examine your current budget and financial goals to ensure you are able to implement the succession plans when necessary.

Succession Planning for Retirement

Although you should have a succession plan to prepare for any unexpected departure in your practice, retirement is the most likely scenario in which it will be required. A recent study by ASCO found that more than 50% of practicing oncologists are older than 50 years.³ The average retirement age is 65 years, which means many practices will face the retirement of members in the next 15 years.⁴

The Center for Cancer and Blood Disorders in Fort Worth, Texas, began noticing a few years ago that many of its leadership physicians were nearing retirement age and started succession planning discussions. “We needed to focus on ensuring that we had younger physicians getting involved in management and operations within the practice,” says Barry Russo, chief executive officer of the center. Because of those discussions, the practice regularly grooms younger physicians, involving them in committees and decision making to determine how they would fare in leadership roles.

“You get a feel after working with people how comfortable they are with strategic decision making and what their interests are. Some members of the practice will rise to the top, and you can continue grooming them,” Russo says.

This plan was put to the test when the center faced the retirement of its president, William Jordan, DO, at the end of 2008. Because of the grooming process already going on, the center had an ideal candidate, Ray Page, DO, PhD, ready to begin taking over the role. To ensure a smooth transition, Page and Jordan worked together for a year, giving Page the opportunity to undergo on-the-job training. Russo believes the changeover went well with patients and staff because of the direct involvement of Page during the last year of Jordan’s leadership.

Jordan also spent the past year winding down his practice and moving patients to other doctors. Russo says he has even received e-mails from patients about how smoothly the transition went and how happy they are with their current care.

Most physicians know when they want to retire, and communicating honestly with the group is important in planning for this eventuality. The best planning can take place when the group is notified a few years before retirement. In larger practices, like the center in Texas, candidates may

already be groomed to take over certain positions. But smaller practices may need more notice to find and train replacements.

“Practices should be looking at succession planning at all times,” Russo says. “It is never too soon to start looking for and grooming physicians for leadership roles.”

Working Part Time

Many physicians approaching retirement hope to cut back their hours before leaving practice entirely. In the same ASCO survey, nearly one third of respondents age 50 to 64 years said they would like to work part time but did not have the option in their practices. Can you allow physicians to take reduced call, work fewer hours, and receive less compensation for reduced hours? If your practice is expecting multiple physicians to retire within a few years of one another, you need to examine your budget to see if their working reduced hours would be possible. Consider the overhead expenses involved and put into writing how reduced compensation would be offered on the basis of patients seen. Reviewing your financial situation early can also allow you to adjust your budget for the next few years to offer physicians part-time schedules as a benefit of years of service.

Stephanie Williams, MD, of Hematology Oncology Associates of Illinois, says a retirement policy is part of the employment agreement with her group. Physicians begin scaling back before retirement, which occurs at the mandatory retirement age of 68 years. Three years before retirement, physicians no longer have to take weekend calls. One year before retirement, physicians stop taking new patients, which helps minimize the number of patients later redistributed among existing staff. In addition, the group has a management committee made up of senior physicians who help oversee transitions and how to distribute new consults.

References

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“We try to anticipate need,” she says. “If a productive physician is retiring, we try to hire someone younger to take over.”

Future Planning in Difficult Times

Even if your practice has experienced few departures—Williams’ practice has seen only one retirement in 9 years—you will likely be affected by retirement within the next 5 to 15 years, as will most practices.

“It is going to be very difficult in the coming years. As we age, more and more of us are going to be coming up for retirement,” Williams says. ASCO has predicted a workforce shortage by 2020, mainly resulting from the aging population of physicians and an increased demand for services. The ASCO Workforce Advisory Group stated that demand is expected to increase 48%, but supply is likely to increase only 14%.

Williams, who is part of the ASCO Workforce Advisory Group, says older physicians cannot mitigate the shortage. The burden will fall more heavily on the younger physicians and remaining partners to ensure thriving business and provide adequate care to patients.

Succession planning is a positive step in evaluating your business and setting goals for its future success. Having plans in writing helps to reduce conflict and ensure everyone is treated equally. Beginning the discussion now also allows you to begin recruiting new oncologists or grooming younger physicians already in your practice. Succession planning is just one step in planning for the future (more information is provided in related article on page 139). These guidelines can help you begin this discussion in your practice.

DOI: 10.1200/JOP.0932505

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