Professional Advisors: They're Worth It

You are about to complete your oncology training or you have finished it. You are well-educated, smart, and you have good judgment. So it is tempting to take a do-it-yourself approach when evaluating an employment contract or, worse yet, considering a verbal offer with no contract. Asking an attorney for input would cost money, and, besides, how would you find one?

You may have the same self-reliance with your money, believing it does not take a genius—or a financial advisor—to tell you how to pay off your school loans. Plus, you are pretty savvy about money or you like researching funds and stocks for potential investments. Why pay someone else to help?

Unfortunately, sad stories abound from veterans of the “I-can-do-this-myself” mindset. Being averse to paying for professional advice falls in the category of being penny wise and pound foolish.

*Joseph O'Connell,
MD*

Experienced physicians attest to the value of seeking professional consultation. Referring to handshake agreements, oncologist Joseph O'Connell, MD, comments, “There certainly are horror stories.” O'Connell is president of the Connecticut Oncology Association and has been in practice since 1985. He reports that one practice he knows of went through three associates in 2.5 years on the basis of handshake agreements. “You can

say you'll read your own contract, or ‘I trust this guy, I can do it on a handshake,’ but you take a chance,” he says, adding that any practice that wants to hire you should not be insulted if you ask for a contract. “If they are, ask yourself if you are comfortable with that kind of relationship.”

*Elizabeth T. Thomas,
JD*

Once you have a proposed employment contract, seek legal review. In nearly 19 years of practice, health care attorney Elizabeth T. Thomas, JD, has seen plenty of situations in which physicians had a problem that could have been avoided if consultation had been sought. She offers examples, “They signed an agreement without an appropriate termination provision, and then they were stuck. Or they signed an outrageous noncompete

covenant that they didn't understand and that could have been negotiated.” Thomas practices law in Charleston, South Carolina, and is a partner in the multistate law firm of Nelson Mullins.

Yes, professionals cost money. But getting out of a bad contract after faulty investments or business structures have been established can be costly indeed.

Thomas remarked, “It's amazing to me that some physicians will sign a contract where they're going to be paid hundreds of thousands of dollars over the course of a few years, without understanding what they're agreeing to. But they would never buy a house for hundreds of thousands of dollars without having the contract reviewed.” As a medical specialist, you recognize the value you bring to a patient. Value the expertise of consultants who are trained and experienced in their field in the same way.

What Expertise Do You Need, and How Do You Find It?

As a practicing physician, you are likely to need an attorney, an accountant, a financial planner, an insurance agent, and a banker. In addition, practice management consultants, technology specialists, and practice valuation specialists are examples of advisors who are typically engaged by physicians contemplating a change in practice or starting a practice. This litany of consultants may sound daunting. It gets even more complex when you add in subspecialties that may be required: the attorney that can help with your employment contract may not be suitable for facilitating a joint venture or creating a trust fund.

It is helpful to think of expert advice in terms of skill sets, rather than professions. Very often an individual consultant has expertise that overlaps different fields. You may find an attorney with extra training in practice valuation or accounting, making specialists in those fields unneeded. Some practice consultants have expertise in contract review and health law that can make retaining an attorney unnecessary for certain transactions. Management consultants also often have financial expertise or accounting credentials and can provide accounting and tax services in addition to management consultation. Consultants retained by your practice can be helpful in personal dealings as well. O'Connell mentioned that his practice's corporate accountant handles his personal taxes and financial advising, as well as some insurance planning. Be careful of conflicts of interest in this area, however, as the practice's interests may sometimes conflict with the interests of an individual physician.

Beyond a specific category of professional (an attorney, a financial planner, or an accountant, for example), identify

Talk to References

Contact a potential advisor's current and past clients by phone, not by e-mail, because they will be more candid orally. Ask questions such as these:

- How satisfied were you with the service or advice you received?
- Would you use the advisor again? Why or why not?
- What do you consider the consultant's strengths and weaknesses?
- How does this consultant compare with others you have used?
- Were the fees in line with what you had been told to expect?

what skill set you need and look for the expertise that matches those needs.

A key to finding useful advisors is to identify consultants with experience in health care or with physicians as clients (see Checklist for Choosing Advisors). If you have never worked with an advisor, ask other physicians for referrals. The local medical society also may be able to provide referrals. Many national professional associations (see Resources) have online directories, and, even more important, many such organizations offer ethical guidelines for their profession.

A professional you have already worked with is an excellent resource for a referral. For example, your accountant can point you to a financial planner, or vice versa. Such a referral can be beneficial because the advisor who has worked with you will be aware of your personal and practice profile and your personality style. Compatibility with a consultant is critical, so someone you have consulted may be most likely to refer you to someone who is a good fit.

Even if you need an advisor in a new location, ask a professional you know locally. "I work with lawyers all over the country and could quite quickly help someone find an attorney in another city," Thomas states. "The value is that you're likely to find someone of the same caliber. I would make sure I referred someone to an excellent firm, with experience relevant to the physician's needs."

Working With Attorneys

If you are just starting practice, your initial need for an attorney will be to review your employment contract. Describing advice she offers to physicians in reviewing contracts, Thomas says, "I tell them what's in it in language they can understand, tell them what is beneficial, what is bad, what might be negotiable, and what is probably not negotiable." Increasingly, Thomas adds, physicians need help in reviewing relocation and recruitment agreements. "They

often don't understand their obligations in terms of repayment, how the income is reported, and what the tax implications are." Thomas notes that in many cases, contract review can be accomplished through e-mail and telephone, without even meeting in person.

The attorney who reviews your employment contract should be someone who can take the long view. If you are interested in having your first job turn into a partnership or ownership opportunity, make sure that your attorney is aware of this. There may be features in your contract that you should ask for, and other features which you should ignore if you are anticipating dealing with your employers as partners. Further, your attorney should have some knowledge of the local environment and a sense for the soundness of the business you will be joining and in which you will be investing your time and reputation.

Not every contract needs legal review, and you should expect an attorney to tell you if this is the case. "Just call the lawyer and ask if something needs review," advises Thomas. "A good lawyer will not take on review of contracts that are insignificant." An example she gives of a contract that needs no legal review is a vendor contract, such as that with a cleaning service that you can get out of with a 30-day notice.

An attorney can also advise you on how to negotiate terms of a contract, framing the overall strategy as well as pointing out items that are not negotiable. An attorney's experience with other physician employment contracts gives him or her a valuable perspective on what are reasonable terms.

The attorney's advice about negotiating contract terms doesn't mean you must bring him or her with you to negotiate, however. Some experienced physicians argue against having attorneys involved in negotiations, pointing out that it drives up costs. But, as Thomas notes, your attorney can be the bad guy in negotiations, if needed. "If the client needs me to play hardball and then back off, I can do that for them. They can always go back and say 'I've got my lawyer under control now.'"

If you do involve your attorney in negotiating, be sure you are on the same wave length. "We had an experience where the attorney's personality almost ruined the deal with another practice," says O'Connell. "He was confrontational to the extent of taking advantage of people with whom we were going to be future partners. He didn't have the same mindset as the physicians."

The decision to involve an attorney in the negotiating process is up to you. If you feel uncomfortable negotiating, your attorney can bring negotiating experience to the table. Be aware that if you do so, the group you are negotiating with will then involve their attorney. The presence of attorneys can

Checklist for Choosing an Advisor

- Experience working with physicians and physician practices
- Positive recommendations from references provided (yes, call them)
- Availability to you (returns phone calls promptly, for example)
- Expertise in the specific areas in which you need help
- Philosophical compatibility with you in areas such as risk taking
- Personal rapport with you
- Membership in or certification by a professional organization

add an adversarial flavor that can be counterproductive, in addition to adding to the cost.

Rapport with your attorney is essential. O'Connell points out that establishing trust and compatibility from the beginning, even in the fairly limited context of having an attorney review your employment contract, can be very helpful later on. "You have to look at this person as your counselor through various stages of your career, not just because he can understand an employment contract. At a later stage, it's nice to have an attorney who is already your partner in the process. In a more complicated negotiation later, if you're just getting to know an attorney and you don't know whether you and he hit it off, you're already a step behind."

If you are named in a medical liability suit, your professional liability insurance carrier will usually assign an attorney to your case. Arrange a meeting with this attorney as soon as possible to discuss the case. If you do not feel comfortable with the assigned attorney, contact your insurance carrier and request new counsel. Most carriers will respect your wishes and try to accommodate you.

Additional details about working with defense counsel will be addressed in a future *Strategies for Career Success* article addressing professional liability and risk management.

Attorney Fees

During your initial interview to select an attorney, you should discuss the fees and how they are structured. There may be a flat fee for routine tasks, such as filing corporate papers or preparing a simple will, but an hourly rate is most common. If you are engaging an attorney by the hour, you should receive an estimate of hours at the beginning of the arrangement, along with a description of services to be covered.

Describing a first meeting with clients, Thomas says, "I make sure they understand the rates and give them an estimate of the time it will take me, so they'll have an idea of what to expect. I'll also mention situations that could throw that out of whack, such as working with a group that ends up arguing and not working efficiently together."

You should not be charged for an initial phone call to an attorney, before you engage him or her. Asked if she charges for phone calls from established clients, Thomas says, "If I get into a 30-minute discussion, I will. But a five- or ten-minute courtesy call goes a long way in client relations and good will." Again, rapport between client and attorney comes into play. "Clients need to feel comfortable asking questions about the bill," Thomas states.

Managing Your Money

Managing and planning your finances are also areas in which professional advice can save money in the long run. Financial planning is important whether you are young or old, rich or debt-ridden. An accountant, a financial planner, and a banker are three advisors you can turn to for different needs. Again, look for the skills and experience that fit your needs; some accountants or bankers may be able to assist you with financial planning, and individual financial planners may have expertise or associates to serve your accounting and banking needs.

These are examples of the areas in which a personal accountant can help you:

- Explaining tax implications and any pay-back terms of compensation packages, a signing bonus or recruitment incentive, and a relocation package
- Providing advice on the tax implications of disability insurance plans and retirement plans
- Preparing your tax returns and advising you about ways to minimize your taxable income
- Assessing your debts and advising on debt consolidation and developing appropriate pay-back strategies
- Developing a business plan and obtaining start-up capital

Jan G. Valecka, CFP

In general, a financial planner works with you to define your personal and financial goals, needs, and priorities. Jan G. Valecka, CFP, an independent financial planner in Dallas, Texas, stresses that individuals should look for someone who will take time to educate them. She says you should expect a financial planner to "evaluate what you have, evaluate your lifestyle, and pull all the pieces together to make recommendations tailored to meet your goals, values, and risk tolerance." She adds that

monitoring your financial plan is an area where a lot of planners fall short. “During the annual review, the planner should look at what has changed. Maybe the client got a raise, bought a house, or had a baby. That’s when they should revisit the plan and update it.”

As with other areas, your financial consultation needs will change through the course of your career, perhaps from debt management and saving in the early years to college fund investment strategies and estate planning later on. Along with expertise, objectivity is an important criterion financial advisors offer. “By working with an advisor, physicians are going to have that second voice of reason to bring to bear on their current and future financial needs,” Valecka notes.

“One of the greatest graduation gifts for a young doctor is one or two hours with a certified financial planner,” Valecka suggests. “The planner will lay out a financial roadmap. Young doctors may think they should be investing, when what they really need first is savings.” She differentiates savings as being for the short-term and investing for the long-term.

Your banker is another important professional advisor. Many banks have private bankers or relationship managers who are knowledgeable about financial aspects of medical practice and will provide personalized service that takes into account physicians’ schedules. Developed as a competitive marketing strategy for banks, private banking emphasizes personal service and can offer favorable loan terms and other advantages to physicians. You may also benefit from banking with the institution used by your practice.

It’s a good idea to have multiple banking relationships, to avoid being taken for granted by a single institution.

In addition to the rapport needed with all consultants, with financial advisors your outlook should mesh, whether fast-paced or laid-back, conservative or bold. Trust is essential: a financial advisor not only knows about your debts and total money picture, he or she knows about such personal issues as your values, perspective on life, and dreams.

Financial Advisor Fees

Banking officers do not charge fees; they are employed by the institution, which makes money from investments and loan interest. Accountants may charge by the hour or have a fee schedule for services.

Financial planners charge either by commission or by a fee, which can be structured in several ways. Advisors who work by commission, such as those in large brokerage firms, are paid for each transaction they make. Their commission may be the brokerage fee when shares of stock are purchased, or a percentage of mutual funds bought or sold. Fees can be structured as an hourly rate, as a set fee for a service such as

Resources

- American Association of Healthcare Consultants: www.aahc.net
- American Health Lawyers Association: www.healthlawyers.org
- Financial Planning Association: www.fpanet.org
- Independent Insurance Agents & Brokers of America: www.iiaba.net
- Medical Group Management Association: www.mgma.com
- National Association of Personal Financial Advisors: www.napfa.org
- National Society of Certified Healthcare Business Consultants: www.healthcon.org
- National CPA Health Care Advisors Association: www.hcaa.com

developing a financial plan for a college fund, or by a charging an annual percentage of the investments managed for you.

The National Association of Personal Financial Advisors supports the fee-only approach, noting that a planner who has a financial stake in his or her recommendations has a built-in conflict of interest.

Your first meeting with a planner should be free and should not focus on only one aspect of your finances, such as insurance or investments. Be wary of a planner who rushes you toward a fabulous deal or wants you to change your investments without offering sound reasons.

Take Advantage of Practice Management Experts

“A good practice management consultant is worth his or her weight in gold,” says Thomas, who has referred many of her physician clients to consultants to help with their practice. She mentions office billing systems, electronic medical records, and location selection as examples of areas in which consultants can help.

Thomas believes “the biggest mistake physicians make is thinking they can do it all on their own. I see so many physicians who minored in accounting or think they are a software guru, and they make the mistake of trying to do things on their own without an experienced consultant.”

O’Connell comments that including financial advisors in high-level partner discussions is very helpful “to keep the discussions objective and keep the physicians from making economic or business decisions based only on their own expertise.” He adds that such expertise is often something heard from other doctors and does not have the depth of

knowledge and experience that an accountant or health care attorney can provide.

These are among the areas in which practice management firms and private consultants can offer professional advice:

- Operations and Growth—Expertise and guidance in staffing, billing services, managed care contracts, and patient scheduling, as well as strategic planning regarding growth and acquisitions.
- Facilities Management—Advice on optimal practice location, layout for efficient patient flow, and office equipment, including options for purchase or lease.
- Financial Management—Development of book-keeping and payroll systems, advice on fee schedules, and tax and accounting services.
- Information Technology—Advice on hardware, software, and systems set-up for electronic medical records, billing

and electronic claims filing, appointment scheduling, and computerized physician entry for prescriptions and diagnostic orders.

Insurance Agent or Broker

In addition to suggesting insurance products that fit the needs of you and your family, an agent should recommend loss-prevention ideas that can cut costs. Some financial advisors recommend using an independent agent or a broker rather than a company-employed agent, on the basis that independent agents have broader experience and may be less biased. In all cases, be wary of any undue pressure to buy a specific product.

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