

Smart Moves for a Healthier Medical Practice

These small-business strategies can help your healthcare practice grow and your headaches shrink.

No one decides to become a doctor because they want to run a small business, but that's exactly what many physicians end up doing. A medical practice operates with the same challenges facing a legal or architectural firm, but that doesn't mean these issues have to take over your life. Here are a few proactive moves you can make to ensure your practice runs smoothly:

DEALING WITH THE REAL ESTATE

If you're buying real estate for your practice, it's generally a good idea to set up a separate legal entity to own the property, then have the practice lease it from that entity. That way, each of the doctors in the practice can decide if they want to also buy into the real estate business or not. And it will make things operate more smoothly when you have doctors coming into or out of the practice. Keeping the two separate can also protect the owners of either the practice or the

real estate from any losses due to lawsuits or other liabilities from the other entity.

Another way to protect yourself: Many physicians' practices assume that insuring their building is enough, but that might not protect your equipment and medical supplies. Consider commercial property insurance to help you recover some of their value in case of something like a fire or flood.

SETTING UP A PARTNERSHIP AGREEMENT

A best practice for a business with multiple partners is to legally define the terms of the partnership from the outset. Make sure your agreement addresses the methods for adding new partners, including all the financial ramifications that will affect the existing partners. That should include a regular valuation of the practice so everyone understands what their share is worth at all times.

The agreement should also deal with the potential end of the partnership, ►

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including merging with another group or what happens if a partner leaves, voluntarily or otherwise. Remember that the financial aspects of this should include not just the value of the partnership but also things like equipment and shared patients.

RETAINING KEY EMPLOYEES

Compensation may be the most important factor in retaining the people who make your practice work, but there are other considerations to keep in mind as well. While work-from-home arrangements are rare for medical offices, flexible work hours or unique benefit programs can go a long way toward retaining employees, especially those with families.

If you're looking to add employees to help keep the office running, look beyond people with medical experience. By expanding your parameters, you can bring in people who give you more flexibility in hiring - and more ability to keep your key personnel.

ESTABLISHING A RETIREMENT PLAN

One other way to retain those key employees is to make sure they have a solid, comprehensive retirement plan. Retirement plans for medical practices are really no different from those for other small businesses. The most popular types include:

- **Traditional 401(k)** Employees contribute pretax dollars from their paychecks, which an employer has the option to match in whole or in part. While these are often the most popular retirement vehicles for employees, they do require a significant amount of administrative work.
- **SIMPLE IRA** Eligible employees can defer part of their paychecks to a SIMPLE IRA, much like a 401(k), but in this case the employer is required to contribute to the plan. While these plans may be more expensive for the employer, they are much easier to administer than a 401(k).

- **SEP IRA** Unlike the other plans, these are fully funded by the employer, with the employee not making any contribution at all. They are generally most useful for very small practices, with five or fewer employees.
- **Cash Balance Plans** Baird has also had success assisting highly compensated business owners create the lesser-known Cash Balance Plans, in which an employee's account is credited each year with a pay credit (such as 5 percent of compensation) and an interest credit to represent growth. As the employer, you are responsible for funding the entire amount, but you can take a tax deduction on the contributions, so you can reduce your current year's taxable income while providing an important benefit for employees.

PLANNING FOR SUCCESSION

Finally, it's important to keep in mind what will happen when you're no longer part of the practice. These decisions will have strong ramifications for your retirement as well as for the future of your practice. Rather than simply close the practice when you're ready to retire or sell it to an outside buyer, many physicians find the most rewarding method is to transfer ownership to a key employee or to existing partners.

The watchword for any succession plan is to start thinking about it as early as possible. Talk about it with the person or persons you envision eventually taking over the practice, to make sure they want the responsibility. And put it in writing, so there will be clarity about everything that will be involved.

Each of these strategies should help you deal less with the business, and focus more on what you love. Reach out to your Baird Financial Advisor to understand how they can help you make sure your practice is running smoothly.

Please reach out if you or anyone you know would benefit from discussing this topic further.

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