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Putting *Pain Management* Into Practice

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OPTIONS FOR BUILDING WEALTH & FINANCIAL HEALTH AS A PHYSICIAN



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FROM THE EDITOR....

You Just Cannot Do It Alone

Regardless of the choices you've made for the direction of your medical practice you will need to develop a resource team to assist you build and safeguard financial health and wealth. The expression "you don't know what you don't know" takes on real meaning here. Medical training doesn't prepare you for the decisions you will need to make about legal matters, investments, risk management, real estate, accounting, taxes, estate planning, and information technology. Yet immediately, you will need to begin to make choices in all these areas. Most of these will have a long term effect on your financial health. The risk of making the wrong choices by doing so on your own is simply too high to ignore.

For this issue we've invited several professionals to share their thoughts on the need for and value of including outside experts in a physician's personal and business planning, management, and decision making.

Patients select health care providers based on reputation, referrals, recommendations, and due diligence regarding training and experience. Third party payers do a review of physician experience and credentials before agreeing to pay them for patient care services. Hospitals require a credentialing process and approval prior to allowing physicians on their medical staff. Physicians need to use similar criteria in selecting trusted advisors. Ask questions, seek referrals and recommendations from others that you trust and respect, and always check credentials before selecting your resource team.

If you've selected a good team and have confidence in them, you will be free to devote your time and energy to your patients and your medical practice.



Cyndy Walsh, CEO
ProCare Systems, Inc.

Guest Contributors:

DeBoer & Goodyke, PC
Farm Bureau Insurance
Fifth Third Bank
Howe Barnes Hoefler & Arnett
McShane & Bowie, PLC
Varnum, Riddering Schmidt & Howlett LLP

ProCare Editorial Board

GUEST AUTHOR

Randall Goodyke

Diagnosing your Financial Health: Managing the Pain in Choosing the Right CPA

David Letterman has joked numerous times on his late night comedy show about accountants. Here is one of his Top 10 lists- “Top 10 signs you’ve hired a bad accountant”:

10. You hear him on the phone saying, “have I ever let you down, Leona?”
9. Instead of the IRS, he sends your tax return to UPS
8. His “short form” looks suspiciously like a cocktail napkin
7. He lets you list your imaginary friend as a dependant
6. List every time you laughed at Letterman as a “charitable donation”
5. Used to be some kind of financial big shot in Orange County
4. Announced he donated all of your assets to O.J’s defense fund
3. On the 1040, he lists your occupation as “sucker”
2. At least five times, he says “here’s a little trick I taught Darryl Strawberry”
1. He makes you wear a hospital gown!

Hopefully you don’t know any CPA’s who fit into this top ten category!

My guess is that a large majority of your medical practices already use the services a CPA Firm, and that most of the “seasoned” physicians also use the service of a Certified Public Accountant (CPA). For those of you relatively new to the profession, choosing an accountant may be something you have not spent much time thinking about. In either case, I hope this article gives you some direction and suggestions in evaluating your current CPA or how to go about finding a good one.

As a medical professional, you have gone through years of education and on the job training, while possessing the critical thinking and effective communication skills necessary to diagnose and treat your patients. It also seems to be true, that different physicians may diagnose and treat similar symptoms in a variety of ways. The differences of opinion are formed based on the individual physicians formal education, training, experience and close communication and evaluation of the patient.

For those of you that specialize in pain management, you understand the importance of effective communication and close relationships with the patient. You realize the importance of being able to work closely and communicate with other physicians, while forming a patient relationship that trusts your sound and professional judgment. Similarly, as CPA’s, we rely on many of the same factors in dealing with our clients as you do with your patients. There are some misconceptions that the decisions, recommendations, and interpretations CPA’s make are “life and death”, which obviously they are not! However, your “financial health” is an area that must be taken very seriously and handled with the highest degree of professionalism, integrity and with sincere dedication. So, where does your current CPA fit into your financial health and how did you go about choosing

him or her?

MAKING THE RIGHT CHOICE

We are so immensely blessed in the USA to be able to have the freedom to make our own choices. From the time we are young we learned that we must live with our choices, good or bad. We have all had to choose various service oriented people and professionals to assist us in our daily lives. We have chosen our mechanic, dentist, contractor, optometrist, real estate agent, pastor, attorney, plumber etc...and yes, our CPA. But just how did we go about making those choices? While some may have decided to look the in yellow pages or newspaper advertisements, my guess is that the majority of you asked either a relative, friend or co-worker for a referral of who they are using. A referral from someone who you trust, is in my opinion, the best way to begin finding the right fit for your needs. So here is a hint, CPA's are not good advertisers! Our CPA firm has been servicing businesses and individuals since 1991 and 90 percent of our growth has come through referrals from existing clients, bankers, attorneys and financial advisors. Therefore, if you are seeking a CPA, or feel the need to evaluate your current professional advisor, be it a CPA, attorney, insurance agent or financial investment advisor, it would be wise to talk to some of your trusted and respected colleagues and friends about who they use and if they are fully satisfied. This is also a good way to seek out more than one individual or firm, providing you with variety of choices that are available. Since making the choice is ultimately up to you, it is vital that you interview a minimum of three individuals or firms.

I have had the pleasure of getting to meet and form long term relationships with many people over the past 20 years. Looking back, some of the best and still existent client relationships have come from referrals. Our Firm has made it a point to always ask how the potential new client or business got our name, or who referred them to us. This gives us an opportunity to not only thank our referring client, but also to "break the ice" a bit in our initial meeting. It is also appreciated very much when a potential new client comes prepared to the initial meeting with some questions unrelated to accounting and taxes. Remember, it is crucial that you become equally comfortable the person and with their knowledge and expertise.

As I have stated, it would be advisable to ask some of your close friends, colleagues for some referrals. There a number of topics you could discuss to determine whether or not this CPA may be right for you. Inquiries of your source may include:

- How do you know the CPA or what connection do you have?
- Do they handle your calls promptly or return your calls/emails timely?
- Where are they located? (if that makes a difference to you)
- Have you been happy with the level of service? If so, why? If not, why?
- Does the CPA or Firm offer services that match your needs?
- Do they appear to be current with technology? (email, website etc...?)

YOUR MEETING WITH THE CPA

Here is a list of questions and brief discussion topics you may want to consider inquiring about at your initial meeting. Obviously, this list can be expanded to meet your specific individual and business needs.

NON-BUSINESS RELATED

- How well and how long have you known my friend _____?
- Are you involved in any community activities, school/church boards, sponsorships etc..?

- If, so what are they and why do you feel the need to volunteer or support these organizations?
- How long have you been in Public Accounting and why do you do what you do?
- What are your hobbies and interests outside of the office?
- What other local professionals do you work with? Bankers, attorneys etc...

PROFESSIONAL SERVICE & BUSINESS RELATED

- What are the areas of expertise to you practice in?
- May I see a description of your services (engagement letter) and what I can expect from you?
- What are your fees? How about the fees of support staff?
- Who else can I contact if you are not available?
- Do you represent me in an audit and will you correspond on my behalf if I receive a notice from the IRS or State Treasury? Fee?
- How do you keep up on ever changing tax laws?
- How do you communicate with your clients? (emails, mailings, web-site etc)
- What sets you and your firm apart from other firms?
- Have you ever been in jail for tax fraud? (that should get a laugh!)

Notice in the above questions and various areas of discussion topics, you do not need to disclose any of your tax information, financial statements, etc... You can present any requested information (ie: tax returns, financial statements, buy & sell agreements etc) at a later date and time. If you and your CPA haven't sat down to talk in a year or two, you could use the list above to re-acquaint with him or her.

HOW MANY SERVICES CAN THE CPA HANDLE?

A few years ago, CPA's and Firms began to explore the many different ways to generate revenue from their clients. Since a very high percentage of our clients have retirement plans, outside investments in the stock market, life insurance policies and the like, it is apparent that the additional fees and commissions associated in this financial sector appeared attractive to some CPA's. Today, there seems to be a trend of some CPA's and Firms becoming licensed as "broker-dealers" in securities, investments and insurances. While this may seem convenient as a "one-stop-shop" theory, I truly wonder about the best of interest of the client and the unbiased, independent opinion we as CPA's must have.

As a licensed "broker-dealer", the CPA is required to disclose to you that he or she will receive commissions based on the investments that are authorized by you. This creates an interesting scenario in the fact that some investments, annuities for instance, initially generate a very high commission while some other investments are much less. My concern with this is that there is some financial incentive for the CPA who also consults with you on tax issues, to recommend investments or tax planning recommendations that may not necessarily be the best option for your long term financial health. If your CPA is also your investment advisor and gets paid for it, be cautious.

Our Firm, like many other Firms, decided long ago to not cross-over into the investment arena. We work very closely with a handful of very professional, knowledgeable, and trustworthy Certified Financial Planners (CFP's) and Registered Investment Firms. The relationship we have with these professionals is a "team oriented" approach. This gives our clients 2 or maybe 3 unbiased opinions when it comes to putting together a solid financial plan and beneficial tax planning recommendations. I am not saying that your CPA will do a bad

job and cannot be trusted also being your financial advisor, but please be cautious. In the medical professional, there are many specialty areas of practice and all refer business back and forth for the best possible patient care. The same holds true in the financial world and your CPA simply cannot do it all or know it all. As much as I respect, trust and admire my primary care provider, I would not want him to put me to sleep before surgery.

SUPRISE OR NO SURPRISE

It should not be any surprise to you by now that most Americans pay taxes, many, many taxes. Under the current tax structure, the fact is that if you make money you will pay taxes, period. How much and when is the real question. In limited cases and for lower income families and individuals, they may actually not pay any income tax, and in fact the IRS may still send them a refund! This is where the CPA comes in. He or she should be able to explain to you the various tax planning strategies available to fit into your financial plan depending on your income and situation. If your CPA has never discussed your situation, or has never communicated with you their ideas, please ask them.

If year after year you have had to write large “balance due” checks on April 15 as a surprise with no advance notice, this may a sign that you need to address the tax planning issues. Many times, there are very few options on April 15, but may be some nice deductions you could take before December 31. Again, it all has to do with communication and planning. If you are not happy with the service you are receiving, call them and communicate that to them. I have found that most tax clients understand we do not write the tax laws, but they also expect not to be too surprised when they owe some additional taxes. Tax planning provides you with a “no surprises” approach to preparing and paying taxes and is highly recommended for higher income individuals. If you are constantly struggling with surprises in the financial reporting or tax services areas, you should address those issues and concerns with your CPA immediately.

FINAL THOUGHTS FOR FINANCIAL HEALTH

The process of choosing of the right CPA, or retaining your current CPA must result in what is best for you. There are numerous CPA’s and Firms available and a wide array of choices. The CPA designation is more than simply handling your tax and accounting needs. Relationships and communication along with knowledge are key in the professional services industry. If you do not feel comfortable with your current CPA, ask yourself why. If your CPA is not meeting your expectations, address those issues with them. If your CPA falls into one of the “top ten”category and asks you to wear a hospital gown, change accountants!

If you are preparing your own taxes, please think twice about it. The tax law is extremely complex and regulations and rules change frequently. Be weary of those \$40 tax preparation packages, remember you get what you pay for. One small mistake, missed deduction, or incorrect interpretation can cost you thousands of dollars. Besides, it is very difficult to ask questions or to plan for your financial health by talking to your computer! Among all of the professionals you deal with, your CPA is your most trusted financial advisor. Feel free to talk to them about anything and I’ll bet you will find it is not all that painful, really. Diagnosing and choosing a CPA will prove to be one of the best prescriptions you will write for you financial health.

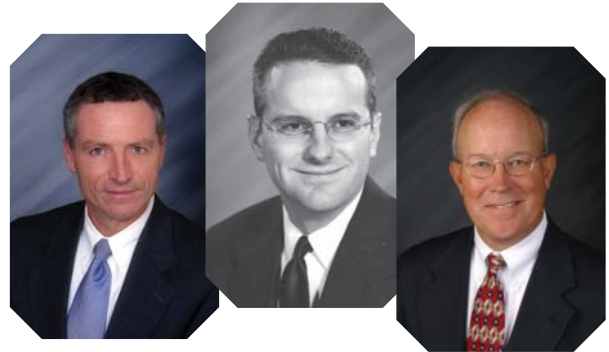
As Benjamin Franklin once said “there are two things in life that are certain, death and taxes”. Since you deal with saving lives, and sometimes death, I guess that leaves me dealing with the taxes.

Deboer & Goodyke CPA, PC 6449 28th Ave Hudsonville MI 49426 616-669-4141

GUEST AUTHORS

Kaplin Jones, Larry Burns, Scott Alfree

Selecting the Right Attorney or Law Firm for Your Practice



For a physician just starting or transitioning a practice, legal issues can sometimes seem overwhelming, even when there is no lawsuit in sight. How do you know when you need a lawyer? How do you know how to select one? How much will it cost? One lawyer with five kids quipped that it's like getting a doctor to help with each birth. Maybe with hindsight some of the kids could have been delivered at home without much help, but the lawyer hired a doctor for all five kids because it was important and there was significant downside risk if anything went wrong. The lawyer wouldn't hire a doctor for a hang nail, but for something important like a birth, the lawyer would want a qualified physician every time.

The information below may provide a helpful guide in identifying certain legal issues and knowing how to select a lawyer to help. This information should be viewed as general information and not as legal advice – you should contact a qualified lawyer to discuss the specific facts of any matter as to which you desire legal advice.

EMPLOYMENT

When you start your career or join a practice, you may sign an employment agreement. You may be investing significant amounts of time in a practice and you want it to pay off. You should have your employment agreement reviewed by counsel with experience in health care matters. An employment agreement may contain a covenant not to compete or other restrictive covenants. It's important that you understand the pro's and con's associated with each covenant.

Some employment agreements allow for discharge anytime, with or without notice, and some are more generous, requiring that there be cause, 30 days notice, and an opportunity to cure before there is any forfeiture of severance pay specified under the employment agreement. You might also address in your employment agreement issues regarding disability insurance, seminars and fringe benefits, and other employment-related issues. A qualified health care lawyer can help you with these issues as well as other issues that sometimes arise in the profession.

Some employment agreements contain complicated production formulas for compensation. These may require a health care lawyer who is familiar with production formulas and the accounting terminology used in the formulas. To avoid or deter the mischief and expense that can be involved in a lawsuit, it is sometimes advisable to have a dispute resolution provision in an employment agreement. For example, disputes regarding accounting matters might be mediated or arbitrated by an accountant, attorney, or physician familiar with physician employment agreements.

Mediation can involve the selection of a mediator who will try to persuade the parties in a dispute to mutually agree

on a settlement. Mediation often is nonbinding, since it depends on whether the parties agree to settle. Arbitration is different; it typically involves the selection of a “hired judge” (i.e., an attorney or someone familiar with the issues) who will hear both sides of a dispute and then make a decision. Sometimes mediation and/or arbitration are preferable to litigation because mediation and arbitration tend to move faster than litigation and can be kept confidential, whereas litigation tends to be slower and more public. But there are always trade offs. Some feel that the court system does a better job of protecting the rights of both parties.

Another issue that can arise in connection with employment is the treatment of a loan or an advance bonus that the employer provides. In some circumstances, a physician will “work off” a loan over a period of time by serving in the community. In general, the amount “worked off” or any amount forgiven and not repaid may be treated as compensation, meaning that the physician will be obligated to pay taxes associated with such amounts. This can be a financial hardship where the loaned or bonus monies have already been spent. In those cases, the physician may be required to use other funds or savings to pay the tax liabilities on forgiven loans.

INVESTMENTS

There are a variety of ways by which a physician may invest in or otherwise acquire an interest in a practice or a related entity. Some of these ways have peculiar tax consequences. In any event, there should be a clear roadmap and appropriately drafted legal documents to explain whether and how a physician will become an owner or part owner. If shares are “given” to the physician for his or her work, the shares may be taxable upon receipt at their then fair market value. If ownership of the shares is deferred according to a vesting schedule, tax consequences may coincide with the vesting of the shares. There are complicated issues that should be addressed in connection with any buy-in arrangement.

Sometimes there is much focus on the front end of an employment agreement and an ownership buy-in arrangement, but the back end gets overlooked. If there is a significant investment or opportunity for growth in a practice, the physician should understand the “exit strategies” for getting out of the investment. Unlike publicly traded stock, interests in any closely held business, including a practice, are illiquid, meaning there is no good way to get out of those investments, unless a document (sometimes referred to as a shareholder agreement, a buy-sell agreement, an operating agreement, a membership interest restriction agreement, etc.) prescribes the terms for buy-out that will convert the investment into cash.

In exploring those terms, one should look at what the “triggering events” are, i.e., can the investor sell any time they want? Can they sell only in the event of termination of employment, death, disability? What will the price be? Is a formula like net book value really an appropriate formula? If there is an earnings-based formula, are there adjustments to earnings for excess rents or excess compensation that need to be made? Will the formula simply be the then appraised value of the shares as determined by the accountants? If so, will a discount be applied for lack of marketability/minority interests? Will the price vary depending on whether the sale is “at will” (i.e., sometimes an out option has up to a 30 percent discount) or will the price be the same regardless of the circumstances triggering the buyout?

Once the triggering events and the price mechanisms are identified, what will the payment terms be? Will payment be required in cash at the time of buy out? Will payment be deferred over 5 or 10 years? Will interest be paid, and if so at what level? Will the buyer have the right to set off against the amounts owed if the recipient violates a covenant not to compete or other restrictive covenants?

If there are several parties in a practice, should there be an expulsion provision? What should be the triggering

events for expulsion (i.e., a majority vote of the other partners or a supermajority vote)? Upon expulsion, will the expelled partner's shares be bought for cash or on terms over time so you can see whether the expelled partner will comply with any covenant not to compete or other restrictive covenants?

Will there be any deadlock provisions, e.g., if there are 50/50 owners and they cannot agree, then what happens? Will there be a provision such as one that says either partner can name a price and then the other decides whether they want to be a seller or the buyer? Sometimes counsel feel that such provisions are preferable to a total deadlock, but if the parties are not on an equal footing, this may not be the best resolution mechanism. Some feel that a mediation/arbitration approach is a better mechanism (see above).

Should partners have rights to dissolve a corporation or LLC in which they are co-owners? If so, on what conditions? Dissolution rights might be one way of providing an exit strategy, but overall they may impair the solidarity and financial position of the entity, since entities that can easily be unwound become fragile and weak if the partners lack commitment to the business entity.

What about real estate or other non-core business ventures? For tax and other reasons, it is sometimes best to have a practice encased in a corporation or an LLC and then have a separate LLC hold the real estate or other assets that might be leased to the practice. When separate entities exist, will you "staple" the ownership of each related entity, so that if a physician is bought out of a practice, he or she must also be bought out of the real estate venture?

How will any intellectual property issues be handled? Will the rights to any patent lists, records, inventions, procedures, copyrights, manuals, books or other publications or similar intellectual property belong to the practice collectively or to the individual? Occasionally intellectual property rights can be extremely valuable, and when they are, they can be the source of a dispute, so it is advisable to address up front issues concerning who will receive any such intellectual property and on what terms in the event of a break-up or business divorce.

ESTATE PLANNING

For estate planning reasons, it is often advisable to hold assets in a "living trust." This could be a trust established by a physician for his or her own benefit with the physician as the sole trustee during his or her lifetime. Upon death, the trust will have its own distribution scheme and a replacement trustee will be named. But by placing assets in a trust, those assets properly titled in the trust escape probate. Probate generally isn't the end of the world, but there is some cost associated with probate procedures, and items that are probated become part of the public record, whereas items that are properly disposed of in a trust deserve a higher level of confidentiality.

If a living trust is used, it should be remembered that it is effective only if items are properly titled in the name of the trust. To simply set up a trust but then not title assets in the name of the trust accomplishes little. If assets are titled in the name of the trust, the assets should be able to escape probate.

In addition to addressing issues concerning a will and trust, an estate planner can help in preparing a durable power of attorney. This is a document that can authorize a spouse or trusted individual to act on your behalf if you become mentally incapacitated. Without such a document, it is likely that your family or others will have to go to court to appoint a guardian or conservator in the event of disability. By setting up a durable power of attorney, you can select in advance how you will deal with that contingency.

An estate planner might also help with a "living will." You know well the high cost of medical care and you may have thoughts on the kinds of procedures you would want undertaken to prolong life if something were to happen to

you. If you have clarity as to those issues, it may be well to state them in advance. Some do not want life support systems to be utilized on a long term basis.

SELECTING SOMEONE WITH HEALTH CARE EXPERTISE

Because the world is increasingly complicated, it is uncommon to find one single lawyer who has the full breadth of knowledge and expertise available to assist in all your needs. Often it is advisable to locate a health care specialist in a law firm with other good business lawyers, employment lawyers, real estate lawyers, and trust and estate planners, so you will know that expertise will be available.

Fees for legal services can vary dramatically, and while fees are often quoted on an hourly basis, it can be difficult to predict what the total fee will be, since the amount of time taken to complete a project may vary from lawyer to lawyer. On some things that are relatively straightforward, such as a first draft or review of an employment agreement or a draft of a trust or a will, a fixed fee quote may be obtainable.

Non-commodity services, such as business advice or exploration of the options available in a buy-sell agreement, may be harder to quote on a fixed-fee basis. Nevertheless, you should find a lawyer where you can establish a relationship where your fees for legal services will be relatively predictable and acceptable.

Lawyers with experience and with partners and associates who have expertise in these areas may be expensive on an hourly basis but still may be less expensive than going to a generalist who may spend hours researching some of the issues, or worse yet, may miss the issues altogether. Because health care is a regulated industry, with Stark laws and other peculiar legislation generating unique recruitment practices and significant compliance burdens, familiarity with these laws and access to expertise are important in delivering the results you will want.

Lawyers and firms who represent hospitals and other physician groups on a regular basis will generally provide the best chance of receiving the service you require. They will be familiar with MGMA and market trends that will be pertinent in the negotiation of employment agreements and will be familiar with the legal troubles of self dealing and other regulations that can have an impact on your practice. If they are not familiar with the limitations and regulations affecting the industry, they will be unable to guide you away from problems and to provide a full range of the necessary advice.

As a final matter, it should be remembered that prevention is almost always better than rehabilitation. Don't go to your lawyer too late. Many of the contractual provisions in employment agreements, operating agreements, and shareholder agreements may be negotiable, and the sooner you confer with your lawyer about your goals and your options, the better off you will be.

Varnum, Riddering, Schmidt & Howlett LLP works in the areas referenced above. We would be delighted to be contacted to see if we can assist you in any questions you may have. For further information, please contact Larry Burns at 616-336-6835 Scott Alfree at 616-336-6439, or Kaplin Jones at 616-336-6820.



GUEST AUTHORS

Mike Pratt & Rebecca Sack

Wealth Planning Can Provide Financial Health for Physicians Throughout Their Careers



For today's physicians, a successful medical practice must be run like a business, with an eye toward streamlining processes, making sound investments and managing a professional administrative staff. But too often, the financial focus ends in the office and does not extend to personal goals such as managing an investment portfolio or planning for retirement or preparing for unexpected events.

By working with a dedicated wealth management advisor, you can develop a plan that matches your personal goals, concerns, needs and financial situation, providing a complete picture of where you are today and where you want to be in the future. In general, a comprehensive wealth plan will examine the following areas:

- Family mission statement
- Cash flow analysis and debt management
- Investments
- Practice benefits and compensation
- Retirement planning
- Risk management
- Family wealth transfer
- Tax considerations

MEETING YOUR INDIVIDUAL NEEDS

Whether you wish to grow, protect or preserve your assets, a trusted investment professional can help address your concerns and meet your goals at any career level. For example, if you are a young physician, it's never too early to learn how to invest wisely or plan for your child's education or the purchase of a home. However, this can be difficult to accomplish when struggling under the weight of student loan debt. A wealth management advisor can help assist you with financial planning and strategies for consolidating loan debt while planning for future mortgage and education costs.



As a physician at the midpoint of your career, you face special challenges. The demands of medical school and residency have delayed your entry into the workforce, resulting in fewer years to save for retirement. In addition, you still may be paying down student loan debt.

However, these are your net worth building years. An experienced investment professional can help provide a plan for achieving your goals by coordinating retirement planning and investment management. In addition, this is the perfect time to work with your advisor to review your disability, malpractice and life insurance coverage.



If you are a physician nearing retirement, your focus is on preserving wealth to ensure sufficient income during retirement and resources to sustain your family and business in the future. A wealth management advisor can review your financial plan and make recommendations about estate planning and trust services.

SHARING YOUR PERSONAL STORY

To tailor a plan that meets your personal needs, a wealth management advisor will ask you to share your personal story. This will help them to determine your plan's scope, outline the financial solutions available to you, and recommend the appropriate strategies that will help you attain your goals. After your plan is in place, your advisor will help manage your plan and monitor your progress through proactive guidance and periodic reviews.

There are many different tools to help craft your personal story. For example, advisors with Fifth Third Private Bank utilize the Life360 SM tool that allows a client to tell their personal story by answering a number of questions. These questions include:

- What does money represent to you? (This will help determine your goals, risk tolerance and attitudes toward major purchases and expenses.)
- What grade would you give your current financial situation and why?
- What changes do you see occurring in your practice?
- How would you define true wealth?
- What type of investments do you currently have?
- What level of commitment are you willing to give to meet your goals?
- List three goals you have yet to accomplish in your life.
- At what age do you plan to retire, and how much income in today's dollars will you need?
- When was your will/trust last reviewed and updated?

These questions will provide the insight needed to ensure your financial plan addresses your individual needs.

In addition to investment management, you may wish to consider risk management services to safeguard your wealth, and trust services that will build your legacy while protecting and preserving your family's wealth for future generations.

As part of Fifth Third Private Bank, we share in a 150-year commitment to serving the healthcare community. Our dedicated professionals understand the financial needs of healthcare clients and can help you stay on course as you journey toward a secure financial future.

Mike Pratt is a vice president and relationship manager with the Fifth Third Private Bank medical group. He provides a full range of private banking services to clients, including customized lending strategies and advanced cash management techniques. He can be reached at 616-394-5433 or via email at Mike.Pratt@53.com

Rebecca L. Sack, ChFC®, is an officer and wealth planner with Fifth Third Private Bank. She provides relationship management and wealth planning strategies and solutions to individuals and small business owners. In addition to her planning experience, Becky has five years of expertise with Fifth Third Private Bank. She can be reached at 616-653-5416 or via email at Rebecca.Sack@53.com

GUEST AUTHOR

Todd Stewart



Building a Strong Financial Foundation

Investors are like fingerprints: each one is different. But if there's something every investor wants, it's a solid financial foundation. When your finances are in order, so many other things seem to fall into place.

How can you create a strong financial foundation?

- Create a plan of attack. Every plan begins with specific investment goals. Know what you want your money to do for you. Decide whether you need current income today or long term growth for the future. Once you know where you're going, you can start putting the building blocks in place.
- Establish the right mindset. Determine the amount you can afford to invest comfortably on a regular basis.

How do you decide the amount to set aside?

- Take inventory of your personal finances. Ask yourself, "How much do I feel comfortable putting away regularly -- in good times and bad?" When you determine that amount, plan on sticking with it over time.
- Identify your risk tolerance. Every investment moves up and down in price. Generally, those with above average profit potential go up and down in price more than those with less profit potential.

There's no such thing as avoiding risk -- your only choice is which risks to take. If you choose an investment that seems to offer little risk, you can lose purchasing power because your returns may fail to keep pace with inflation, eroding your standard of living.

Knowing your tolerance for risk also helps to narrow down the many investment opportunities available to you. And there are many from which to choose, ranging from savings vehicles and fixed-income investments to stocks and mutual funds.

**"There's no such thing as avoiding risk --
your only choice is which risks to take."**

DETERMINE YOUR TIME HORIZON. Figure out how much time you have between now and when you need to reach your financial goals. Some investments that may appear attractive may be inappropriate because of your time horizon. If you're investing for a long-term goal, you'll want investments designed to produce attractive gains over the long haul. If you require regular monthly income, you'll need investments that can generate a steady flow of income today.

MAKE YOUR INVESTMENTS. You can select from numerous investments to meet your financial needs. Which combination of investments is right for you? That depends on your specific needs. What may be right for a friend or neighbor may not be right for you.

Rely on a professional financial advisor to help you choose the best investments for your financial needs. He or she should also be willing to educate you about the many investment alternatives available to you.

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THE NEED FOR PAIN MANAGEMENT CONTINUES TO GROW

- ☛ 1/5 of adults 65 years and older said they had experienced pain in the past month that persisted for more than 24 hours.
- ☛ Almost 3/5s of adults 65 and older with pain said it had lasted for 1 year or more.
- ☛ More than 1/4 of adults interviewed said they had experienced low back pain in the past 3 months.
- ☛ 15% of adults experienced migraine or severe headache in the past 3 months. Adults ages 18-44 were almost three times as likely as adults 65 and older to report migraines or severe headaches.
- ☛ Reports of severe joint pain increased with age, and women reported severely painful joints more often than men (10% vs 7%)
- ☛ Between the periods 1988-1994 and 1999-2002, the percentage of adults who took a narcotic drug to alleviate pain in the past month rose from 3.2 percent to 4.2 percent

* Src: Health, United States, 2006, With Chartbook on Trends in the Health of Americans With Special Feature on Pain. 559 pp. (PHS) 2006-1232. GPO stock number is 017-022-01602-8

GUEST AUTHOR

Amy Gadison-Herring

Disability Insurance: Essential or Optional?



According to the Social Security Administration, 30% of workers today will become disabled before they retire. One in seven will be disabled for more than five years.

Financial experts report that 70% of Americans do not have enough savings to cover short-term emergencies. A study conducted by Harvard University associated nearly 50% of bankruptcies to a medical disability.

These statistics might cause you to ponder a few things. Questions that you may ask yourself could be similar to ones posed here. What is your most valuable asset? Your home? Your practice? Your vehicles? All of these have worth but they pale in comparison to your most important asset: Your ability to earn an income. Let's assume that you have insurance in place to protect most of your assets in case of a fire, a lawsuit, a collision, or death. Have you protected the monetary base for these assets? Unfortunately, most people fail to protect the financial foundation they worked so hard to build.

The most common causes of long-term disability are heart disease, cancer, chronic back pain, arthritis, and diabetes. You can reduce your chances of becoming disabled by maintaining a healthy lifestyle:

- Reduce stress – keep your emotional health in balance
- Stop smoking
- Regular check-ups and cancer screenings
- Keep your weight at a healthy range
- Avoid excessive alcohol consumption
- Safety first – wear your seatbelt, use safety equipment
- Regularly participate in physical activity

“While prevention is important, it does not alleviate the concern for preparing for unforeseeable events”

While prevention is important, it does not alleviate the concern for preparing for unforeseeable events. Although Social Security and Workers Compensation may be available to certain disabled workers, many people do not qualify for benefits. Every year, between 60 and 70% of those who apply for Social Security benefits are denied. The National Safety Council states that 90% of disabling accidents and illnesses are not work-related, which means that Workers Compensation would not be applicable.

Disability income insurance can provide benefits if you are unable to work due to an illness or injury. These benefits can assist you with your normal living expenses such as housing, food, utilities, education needs for your children, and so forth. Short-term disability policies typically cover disabilities 30 days to two years in duration.

consider purchasing business expense protection. Business expense policies will reimburse the policy owner for ongoing business expenses such as rent, utilities, and employees' payroll during the period of disability.

Long-term disability insurance policies are available with many options:

- Choice of elimination period – 30, 60, 90, 180 days, 1 year, 2 years
- Choice of benefit period – 6 months, 1 year, 2, 5, 10 years, or to age 65
- Coverage for your own occupation for a specific time period
- Surrender Value Rider
- Cost of Living Adjustment

Several resources that are accessible on the Internet will assist you in determining if disability insurance is essential for you. The Council for Disability Awareness provides information on its website, www.disabilitycanhappen.org. Life stories, statistics, and an "Income/Expense Review" are some recommended pages on their site. The Life and Health Insurance Foundation for Education has a very informational website, www.life-line.org. Two recommended links on their site are "Disability Insurance" and "Small Business Planning". An insurance professional can also help you evaluate your disability insurance needs.

*Amy Gadison-Herring
Farm Bureau Insurance
3083 Washington Ave SW
Grandville MI 49418*

*Office – 616.538.0170
Fax – 616.538.5218
Toll-free – 877.FBI.GDVL*

*www.GadisonHerringAgency.com
agadiso@fbinsmi.com*

ProCare is interested in your feedback regarding our newsletter. This is our 6th edition and we would like to know if you find the newsletter beneficial. What topics interest you and what challenges are you currently experiencing?

Please email your comments or suggestions to:
Tim Buursma, tbuursma@procaresystems.com

GUEST AUTHOR

Doug Poland

Avoid Mistakes When Picking a Practice Location



At some point in time, nearly every business owner will need to select a new location for his or her business. For many, this is a decision made only once or twice in a lifetime. This unfamiliarity can, and too often does, result in unforeseen problems. Some problems are immediate, such as when a business owner purchases a parcel of land to construct a new building only to find out that she cannot construct the building or use the property as intended due to zoning or deed restrictions. Other problems can arise down the road, such as when a business owner seeks to expand his facilities only to find out that the existing structure or use is actually “grandfathered” and therefore cannot be expanded. These are only two examples. There are many others.

Fortunately, the most common risks can be avoided with advance planning. The following is a list of items that a business owner can use to avoid unforeseen difficulties when evaluating an existing building or building site. Many of these items apply regardless of whether you plan to lease or purchase.

1. Review current zoning requirements for the property and determine the allowable uses. Review the municipality’s master plan, if available, and speak to municipal officials to determine whether any plans to change the zoning are under consideration.
2. Order a title insurance commitment and review all of the instruments affecting the property. Easements, building or use restrictions, liens, leases and even purchase rights are all examples of matters that may be disclosed by a title commitment.
3. Obtain an ALTA survey to identify information such as how recorded easements affect the property, whether any encroachments exist, the availability and location of utilities, the location of applicable setback lines and how they might affect future improvements and other similar information. The designation “ALTA” signifies that the survey meets certain criteria and contains certain information that may not be shown on other types of surveys.
4. Obtain appropriate environmental assessments of the property. If you fail to obtain the appropriate reports, you may become liable for contamination that you did not cause. The existence of contamination can have both positive and negative economic consequences.
5. When purchasing an existing building, have the building and all of the mechanical systems thoroughly inspected and make certain that existing utilities are adequate to serve your needs.



“Fortunately, the most common risks can be avoided with advance planning.”

6. When purchasing a site for a future building, confirm the availability and capacity of utilities and the cost of bringing utilities to the property. Also confirm that existing soil conditions will support your planned improvements.
7. If planning future access onto one or more adjacent roadways, consult with an engineer or zoning administrator to determine whether the access is allowed in the location desired.
8. If planning new construction or significant renovation, retain a qualified architect or engineer to obtain site plan approval before committing to close on the property. Depending upon the complexity of your project, this may take several months.
9. If the property must be rezoned or a variance obtained, obtain the approval ahead of time and, if possible, solicit the support of neighbors during that process.
10. If your plans include leasing space to other businesses, negotiate and sign the leases before closing on the purchase of the property and be sure to include provisions in the leases that protect you if you fail to acquire the property or if development does not proceed as planned.



Your purchase agreement or lease should be written in a manner that allows you an appropriate amount of time to address these matters before becoming obligated to purchase or lease the property. Addressing these matters ahead of time helps to avoid costly mistakes.

Choosing a location can be a stressful process. Knowing that you have covered all of your bases will reduce that stress and give you confidence that your new location will accommodate the needs of your business.



*McShane & Bowie, PLC
1100 Campau Square Plaza
99 Monroe Avenue, N.W.
Grand Rapids, MI 49501
Phone: 616-732-5000
www.mcshanebowie.com*

GUEST AUTHOR

Gil Lalo

Quadnet-a division of ProCare Systems Inc

How to Hire an IT Consultant

For the small to medium size physician practice, the need to hire an Information Technology (IT) consultant at some point is virtually inevitable. In order to receive the greatest value and the most desirable results, it is important to carefully consider the following points:

CONSIDER INDUSTRY EXPERIENCE – one of the first qualifiers should be the industry experience of the consultant or firm you are reviewing. To those on the outside, health care is currently perceived as a very attractive industry: cash rich, built-in customer base, relatively inelastic demand and a strong reliance on computers. This has led to a massive influx of “johnny-come-latelies” to the healthcare IT universe. These are people or firms that were in manufacturing two years ago or banking or anyone that would have them. The healthcare market is complex and has a unique set of issues, protocols, restrictions and general operating principles. Before you put your mission-critical systems and data in the hands of a consultant, you will want to have a high degree of confidence that they possess a deep understanding of your market and the specific needs of your practice.

CREATE A PARTNER MENTALITY – a second important point is the manner in which you engage your consultant. At the simplest level, there are two types of engagements: hourly or fee-for-service. Obviously, in an hourly arrangement, you pay (and pay and pay) for effort expended until the project is completed. You often have no idea of the total cost of the project and each minute the consultant is on site is an opportunity for additional billables.

Fee-for-service or project based engagements identify the project deliverables in advance, allow time for initial assessments and provide a total price based on work to be performed and value delivered. They are typically characterized by a two-part payment: one (typically 50%) at commencement of the project and the other held back until project completion.

The fee-for-service model has clear advantages in the healthcare world. It creates a partnership-type arrangement where the practice manager can be certain that the consultant will work until the job is done without watching the clock and the consultant can feel free to bring any resources necessary to bear on the issue without requiring explicit approval. Sadly, in the IT industry, there are too many people who are working by the hour and for the hour and see you simply as a source of billable income.

Don't be seduced by a low hourly rate that will end up costing you more in the long-term. Instead, identify a reputable consultant who is willing to assess the total project up front at minimal or no cost to you and then provide you with an accurate picture of costs and timelines.



JOINTLY DEFINE CLEAR AND MEASURABLE GOALS – regardless of whether you choose hourly or fee-for-service, clearly observable metrics for success must be agreed upon in advance. This would seem to be obvious; the only way to tell if the project is complete is to understand what “complete” means. However, I am continually amazed at how many large projects are started with virtually no advance discussion of the desired outcome. Indeed, it seems as though the larger the project, the more vague the vision for the end.

The installation of an Electronic Health Record (EHR) system is a relevant example in our industry at the moment. For many practices, the pure act of getting the system software loaded and all the requisite hardware upgrades and staff training that entails becomes the only metric by which the project is evaluated. Unfortunately, this is not the actual project; it is simply a step (or series of steps) towards the ultimate goal.



Get all parties involved to sit around the table and develop a list of these goals, agree on the most important and refer to them every day as a map during your project. The IT consultant can and should be a key contributor but using metrics such as these ensure that the leadership of your practice retains control.

Nobody installs a new software system simply because they are bored; they do it because they believe it will help the business in some way. So the logical thing to do is to identify a small number of key indicators that you want to impact. Express them as semi-mathematical formula in this fashion:

In x time period, I want y to increase/decrease by z.

BE PREPARED TO LISTEN – many times, the IT consultant brings valuable perspective and fresh eyes to a situation which those on the inside have come to accept as normal. This is one of the most important resources that a true IT professional can provide. It is important you be prepared to hear what is being said and to act on it as appropriate. Often, the reason for project failure is not technical in nature but due to organizational inefficiencies, politics or similar factors.

If you have jointly defined success metrics and created a partnering mentality with an industry-savvy consultant, you can be sure that you will be getting feedback and observations that are extremely helpful; you ignore them at your peril.

Gil has 20 years experience in healthcare IT. With both technical and executive background, his areas of expertise include network design, systems implementation and the alignment of IT and business strategies. Gil has a passion for process improvement through the thoughtful implementation of leading edge technology.

The Quadnet Group is a division of ProCare Systems, Inc. Quadnet's principals are Information Technology Executives.



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3777 Sparks Drive
Suite 226
Grand Rapids, MI 49546
877-977-6227 x1315