LEE COUNTY MEDICAL SOCIETY

Bulletin

THE VOICE OF LEE COUNTY MEDICINE

VOLUME 28, NO 9

FORT MYERS, FLORIDA
MARY C. BLUE, M.D.

FEBRUARY 2005

GENERAL MEMBERSHIP MEETING

NO GENERAL MEETING IN FEBRUARY

MARCH MEETING
Thursday, March 24, 2005
Royal Palm Yacht Club
2360 West First Street
Downtown Fort Myers
6:30 p.m. - Social Time
7:00 p.m. - Dinner/Program

2005 LCMS MEETINGS

Board of Governors	General Meetings
February 8, 2005	----------
March 8, 2005	March 24, 2005
April 12, 2005	----------
May 10, 2005	May 19, 2005
June 14, 2005	----------
July 12, 2005	----------
August 9, 2005	----------
September 13, 2005	September (TBA)
October 11, 2005	----------
November 8, 2005	November 17, 2005
December 13, 2005	December (PARTY)

AMA & FMA MEETINGS

FMA Days at the Capitol
Double Tree Hotel
Tallahassee, FL
March 30 - April 2, 2005

AMA Presidents' Forum
Renaissance Mayflower Hotel
Washington, D.C.
March 13 - 14, 2005

AMA National Advocacy
Renaissance Mayflower Hotel
Washington, D.C.
March 14 - 16, 2005

AMA Annual Meeting
Hyatt Regency
Chicago, IL
June 18 - 22, 2005

FMA Annual Meeting
Boca Resort & CLub
Boca Raton, FL
September 1-5, 2005

Inserts

1. LCMS ALLIANCE SURVEY & INVOICE
2. 2005 LEGISLATIVE INFORMATION
3. 2005 BOARDS AND OFFICERS

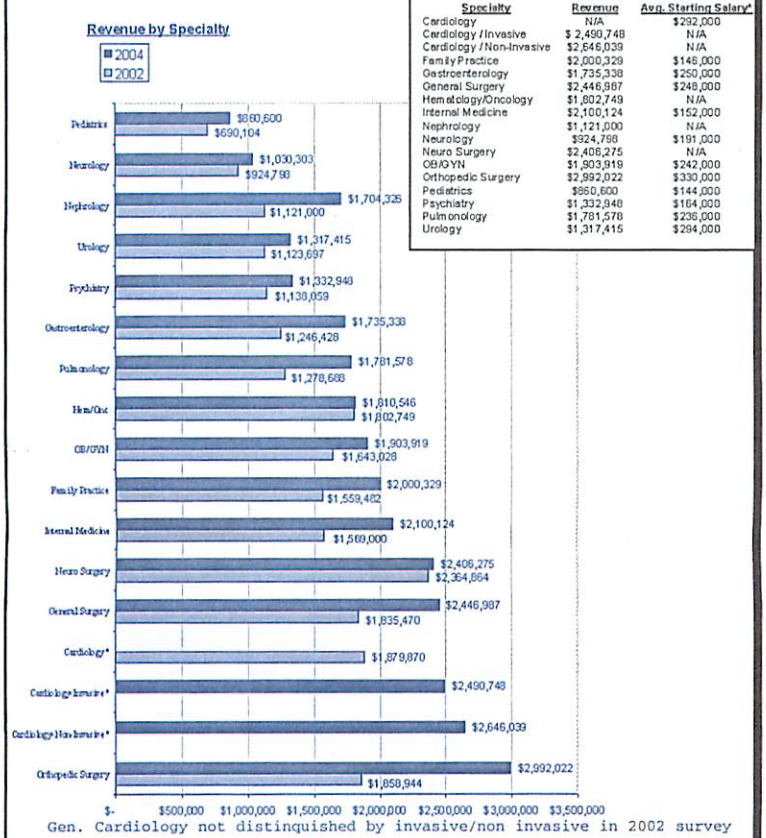
In This Issue. . .

President's Message

WHO'S YOUR DADDY

Richard Murray, M.D.

This term was recently made famous with Pedro Martinez, a pitcher for the Boston Red Sox. He was referring to the New York Yankees and how they, "... always are our master..." Bobby Knight, the former Indiana Basketball coach also criticized opponents' fans when they chanted this term to his players. I originally thought it meant Hoosier Daddy, referring to his long tenure as head coach. It is also a new reality television series, on the Fox Network, which finished fourth in its time slot. It is also a website for paternity inquiries. How does this apply to medicine? The tables below illustrate the discrepancy between one's value to a hospital and to one's self.



Specialty	Revenue	Avg. Starting Salary*
Cardiology	N/A	$292,000
Cardiology / Invasive	$ 2,490,748	N/A
Cardiology / Non-Invasive	$2,646,039	N/A
Family Practice	$2,000,329	$146,000
Gastroenterology	$1,735,338	$250,000
General Surgery	$2,446,987	$248,000
Hematology/Oncology	$1,802,749	N/A
Internal Medicine	$2,100,124	$152,000
Nephrology	$1,121,000	N/A
Neurology	$924,798	$191,000
Neuro Surgery	$2,406,275	N/A
OB/GYN	$1,903,919	$242,000
Orthopedic Surgery	$2,992,022	$330,000
Pediatrics	$860,600	$144,000
Psychiatry	$1,332,948	$164,000
Pulmonology	$1,781,578	$236,000
Urology	$1,317,415	$294,000

The discrepancy is approaching a ten-fold valuation to the hospital as opposed to your own value. These figures are from Merritt Hawkins, a national recruiting firm, who compiled the data from Chief Financial Officers at 146 hospitals across the country. The entire survey is available at www.merritthawkins.com/pdf/mha2004_inpatient.pdf. The average net revenue (inpatient and outpatient) of all specialties was $1,855,773 per physician per year. It is to no surprise for the proliferation of outpatient surgery centers, infusion centers, specialists leaving hospital staffs, and hospitals hiring hospitalists as an example. If an employee generates three times their salary, then the employer benefits. The table indicate anywhere from a six to eleven fold revenue production. This is a logarithmic multiplication. Where does the hospital generate revenue? The hospitals charges for pharmacy, intravenous administration, dispensing, x-rays, rehabilitation, operating room time, supplies both basic and unique, nursing care, home health, and laboratory fees. The surgeon charges for the procedure only, no additional charges. Procedure oriented specialties generate more hospital revenue, such as radiology, orthopedics and general surgery near the top while pediatricians generate less. These hospital revenues may be significantly underestimated according to several of our Lee County physicians who I interviewed. Furthermore, rent at a hospital or medical office building next to the hospital was not used in the calculations. Property values, including commercial, in Lee County have averaged a 16% annual increase.

Continued on Page 2

As I Recall...

Roger D. Scott, M.D.

CONFUSION

The title for this article raised questions in my mind as to the derivation of the word "confusion", and my first deduction was that it came from Confucius a 500 B.C. Chinese philosopher. I am unable to substantiate my theory, but it seems that if one spelled his name Confucion and changed the "c" to "s" we would derive an explanation for the word "confusion". Please realize that this is only a confused area of mine (should it be mind?) and your thoughts on my deductions would be appreciated. Let's see where we were, oh yes! this is an article about confusion.

The first case to report occurred sometime after we moved from the old Lee Memorial in 1968 to the new (current) Lee Memorial Hospital. Mrs. F. was a seventish-year-old patient of mine who had just a few days earlier undergone a major abdominal procedure and was still on IV's and nasogastric suction. When I made rounds on the fifth floor (the surgical ward), as I questioned her, she seemed confused as she related that she had gone to visit her son Bill the previous night at his home on McGregor Boulevard across from the Firestone home. Physically she was in excellent postoperative condition but obviously she was confused regarding her home visit the previous night. When I have a confused patient, I simply follow along with their state of confusion so I asked her how Bill was doing, and she replied that he was fine & they enjoyed a cup of coffee together. At the nursing station, I told the nurses of her delusions and confusion and to my surprise the nurses stated that she did visit Bill last night! It seems that she disconnected everything, went the five floors down the back fire escape (indoor) and out the emergency door. She walked barefooted to Bill's house (½-mile) in her open-back hospital gown around two o'clock in the morning. (Not much early A.M. traffic in those days.) She rang Bill's doorbell, he answered the door and to his surprise his mother appeared so soon after surgery and at that time of morning. He called the nursing station and they were very relieved to locate the lady who had disappeared. Bill returned her to the hospital. So who's confused now?

Case number two occurred when a quite elderly gentlemen brought his wife to Health Park in the very early AM for outpatient surgery. He wanted to know if he might go get something to eat, and then come back for his wife. I told him that would be OK, as we would probably have her about three hours. The three hours passed and the patient was ready for discharge, but the husband had not returned. We waited and waited and waited even longer, and still no husband appeared. After eight hours of waiting, the patient was put to bed in the hospital and about four hours later the confused husband returned! He had no idea of where he had been, but said he was driving all day, but a gasoline receipt was found in his pocket from Miami Florida, dated the date of the surgery. Apparently he had driven all the way to Miami and back (300 mi.) looking for the hospital! The couple was happily reunited and left the hospital, headed home but with no certainty that they would make it. I did call them two hours later to be sure that they made it home.

Some years ago (I'm confused as to how many years) a bright individual started "modern" Confucius sayings that were jokes but true. There must've been, 1000 or more of these going around during that time and here are a few of the clean examples. (There were also many "shady" ones!) "Confucius say: man who drive like hell bound to get there; man with one chopstick go hungry; man who run behind car get exhausted; man who run in front of car get tired; man who eat too many prunes get good run for money; he who crosses ocean twice without washing, dirty

Continued on Page 2

LEE COUNTY MEDICAL SOCIETY BULLETIN
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The editors welcome contributions from members. Opinions expressed in the Bulletin are those of the individual authors and do not necessarily reflect policies of the Society. Advertisements do not imply sponsorship by or endorsement of Lee County Medical Society,

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MEMBERSHIP ACTIVITY

NEW LOCATION
Steven Machlin, M.D.
6820 Portofino Circle #1
Fort Myers, FL 33912
239-225-1364 (P)
239-225-7337 (F)

Emilio Del Valle, M.D.
6150 Diamond Centre Court
Building #1200
Fort Myers, FL 33912
239-277-7666 (P)
239-277-1064 (F)

If you are moving or opening a new practice please let the Medical Society know by calling our office at: 239-936-1645

As I Recall Cont. from page 1

double crosser; condoms should be used on every conceivable occasion; man who jump off cliff jump to conclusion; man who stand on toilet high on pot; wife who put husband in doghouse soon find him in cathouse", and I had better close this now before I'm in the doghouse with the editors!

Our hearts are with the Don Williamson family during this terrible time.

(Continued from page 1) Presidents message

Did Medicare re-imbursements increase 16%? Hospital re-imbursements are on the rise, while physician payments are stagnant. Organized medicine is continuing to prevent further declines in Medicare payments. There may be a point where one should not take assignment.

In 2004, approximately 88% of hospitals, responding to this survey, across America are designated "not-for-profit." Interestingly, according to Medical Economics, forty percent of hospitals now compensate certain physicians for taking emergency room call, including our local market. Emergency call was designed to help those in need, increase one's practice, and help develop relations with referring physicians. How times are changing. Physicians are now dropping privileges, using surgery centers, refusing to go to certain hospitals, opening clinics, dabbling in alternative medicine and are finally saying, "No." This is not the fault of the physician. Certain physicians, i.e., ophthalmologists and plastic surgeons, have better facilities and equipment than the hospitals. There are currently twenty-one AHCA (American Health Care Association) recognized surgery centers in Lee County. The majority are not owned by the hospitals. This is despite the fact that surgery centers are reimbursed at lower rates than hospitals. The facility fee often exceeds the procedure fee. Just take a look at the recent Medicare fee schedule, which can be printed at your expense. A major lobbying effort by the hospital associations, at both the state and federal levels, ensures the discrepancy between surgery centers and hospitals will exist. I do feel outpatient centers provide improved patient care and improved physician care, speaking from experience with both settings. Without good physicians you will not have care at all. On the other hand, the alternative may be socialized medicine. Socialized medicine would be disastrous on U.S. healthcare. Its passive aggressive attitude would impede research, ambition, and new procedures. Competition is good, not bad. Monopolies eventually fall to anti-trust litigation, i.e., Microsoft and Ma Bell. The trend of specialists resigning staff privileges will continue to grow. Hospitals will then have to compensate those covering or have no coverage at all.

How can the Lee County Medical Society help? The Society is a non-partisan, independent voice committed to its members and the community. We are also not-for-profit and integral to protecting the practice of medicine in the community where we live. The Society must bridge the gap between its members and the hospitals. The members are voicing their concerns. The hospitals may take the high road and claim physicians cannot exist without them. Physicians, on the other hand, will claim the opposite. Who suffers? …the patient. Patients will always be around, but will there be specialists covering emergency rooms? Hippocratic Oath has outlasted all HMOs, insurance plans, and hospital chains. Ask the question, "Who's your Daddy?"

LEE COUNTY MEDICAL SOCIETY ALLIANCE NEWS

Ann Shah, PhD, and Karma Marino, PhD, Co-Presidents

2005 Annual Dues are Due!

We would like to invite you and/or your spouse to join the Lee County Medical Society Alliance & Foundation. As you may know, we are an all-volunteer non-profit community service organization whose general membership is made up of the spouses of members of the Lee County Medical Society (LCMS). We also welcome LCMS physicians as associate members. Our mission is to work in partnership with LCMS to promote health education, identify and address health care needs and issues, encourage involvement in legislative education, and support health-related charitable endeavors.

Since 1945, the Lee County Medical Society Alliance has strived to help improve the lives of Lee County residents by developing health education and awareness programs, and donating funds and supplies to local health-related organizations. Our Foundation was established in 1985 as a vehicle to expand the Alliance's philanthropic projects and fundraising efforts through the use of tax-deductible donations from our members and the general public. Since then we have been able to develop award-winning programs such as BuckleBear, Medi-bags, SAVE: "Bullies & Victims" Workshop, and "Stride Right: A Fitness for Life Program". We have also raised over a million dollars for health-related charities in Lee County.

Our organization is also a successful legislative advocate for Lee County physicians. We won the 2004 American Medical Association Alliance (AMAA) Legislative Education Awareness Program (LEAP) Award, as well as other honors, for our participation in the MD 1000 Club and assisting in the election of pro-medicine candidates. We also actively supported the passage of last year's Tort Reform and this year's Medical Liability Claimant's Compensation Amendment. Our members are committed to participating in the legislative process and to promoting issues that benefit the practice of medicine.

In addition to our health-related and legislative programs, we also provide regular social activities for our membership. General meetings are held once a month for all members, and include opportunities to socialize and network with other people in the medical community, in addition to completing Alliance & Foundation business. Our Supper Club meets once a month to patronize popular Lee County restaurants. Playgroups are also available for our members who have small children. These social activities provide a variety of occasions to develop friendships and explore the area.

Annual dues are due as of Jan 1. Just complete the enclosed 2005 Membership Survey/Dues Statement and remit it with your payment. Please consider joining even if you are unable to be an active member. We need your support to help keep our organization growing and thriving!

AMA Foundation "Holiday Sharing Card"

This year the LCMSA raised $4,075 for the AMA Foundation "Holiday Sharing Card"! All Alliance members and their families received a special greeting card with the list of donors who made a tax-deductible contribution of $50 or more to the AMA Education, Research and Service Scholarships that support our medical schools and aspiring physicians. Special thanks to Christina Prendiville for spearheading this fundraising effort, and to everyone who made such generous contributions. You helped foster the spirit of the holiday season while making an investment in the future of quality healthcare.

HOW TO EFFECTIVELY WRITE YOUR LEGISLATOR

1. Know your legislators' district(s) and the correct spelling of their names. Refer to district maps and directories.
2. Review the following to see the formatting for addresses:

Senators
The Honorable John Doe
The Florida State Senate
The Capitol, Suite ----
Tallahassee, FL 32399

Representatives
The Honorable John Doe
Florida House of Representatives
The Capitol, Suite ----
Tallahassee, FL 32399

Governor
The Honorable John Doe
Governor
The Capitol
Tallahassee, FL 32399

Lt. Governor
The Honorable John Doe
Lt. Governor
The Capitol
Tallahassee, FL 32399

Cabinet
The Honorable John Doe
*Title
The Capitol
Tallahassee, FL 32399

3. Write on personal stationery, FMA or CMS letterhead, or on plain paper. A personal letter is best! Your return address should be on the letter, not just on the envelope. This will enable your legislator to reply.
4. Do not use post cards or form letters except when advised to do so by the FMA Legislative Affairs office or the CMS Legislative Committee.
5. A good rule to follow is one subject per letter. Try to keep your letter to one page no matter how important the issue. This gives your letter more impact and makes a reply easier. It also takes up less of the staff's and legislator's time.
6. Make clear the position of the issue you are on, and ask the legislator to support your position.
7. Refer to exact bill numbers if available and short or popular titles.
8. Don't threaten or write in a belligerent tone.
9. Don't remind them of broken promises.
10. Don't write so often that your letters lose their impact.
11. Illustrate your position with a local example.
12. Sign your name legibly, and type your name under your signature.
13. Time your letters to arrive far enough in advance to be effective.

Taken from Florida Medical Association website - fmaonline.org

YOUR LEE COUNTY LEGISLATORS

List of our representatives and their telephone numbers:

FL Senate
Sen. Burt Saunders, District 36
338-2777
Sen. Dave Aronberg, District 27
338-2646
Sen. Mike Bennett, District 21
823-5718

FL House of Representatives
Rep. Michael Grant, District 71
941-764-1100
Rep. Paige Kreegel, District 72
941-575-5820
Rep. Bruce Kyle, District 73
335-2411
Rep. Jeff Kottkamp, District 74
344-4900
Rep. Trudi Williams, District 75
433-6775

Gov. Jeb Bush
850-488-4441

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA) SECURITY STANDARDS EFFECTIVE APRIL 20, 2005 AND NATIONAL PROVIDER IDENTIFIER NUMBER - PART II

Glenda Henderson
Florida Medical Association

National Provider Identifier-The Health Insurance and Portability Act of 1996 (HIPAA) mandated that the Secretary of Health and Human Services (HHS) adopt a standard unique health identifier for health care providers. On January 23, 2004, HHS published the final rule that adopts the National Provider Identifier (NPI) as the standard unique health identifier for health care providers. The effective date of the rule is May 23, 2005, 16 months after its publication date. Health care providers may apply for NPIs beginning on the effective date.

The compliance date for all covered entities except small health plans is May 23, 2007. Small health plans do not need to comply until May 23, 2008. When the NPI is implemented, covered entities will use only the NPI to identify health care providers in all standard transactions. Other identification numbers (e.g. UPIN, Blue Cross/Blue Shield numbers, CHAMPUS number, Medicare and Medicaid numbers, etc.) will not be permitted. Health care providers will no longer have to keep track of multiple numbers to identify themselves in standard transactions with one or more health plans. However, the Taxpayer Identifying Number may need to be reported for tax purposes as required by the implementation specifications.

The NPI will be a numeric 10-digit identifier, consisting of 9 numbers plus a check-digit in the 10th position. It is accommodated in all standard transactions, and contains no embedded information about the health care provider that it identifies. The assigned NPI does not expire and at the current rate of health care provider growth, can continue to be assigned for 200 years.

All health care providers as defined in 45 CFR 160.103 are eligible for NPIs. Health care providers who transmit any health information in electronic form in connection with a transaction for which the Secretary has adopted a standard are covered entities and are required to obtain and use NPIs. Health Care providers who are not considered entities may also apply and be assigned an NPI. However, entities that do not provide health care (e.g., transportation services) are not eligible to be assigned NPIs because they do not meet the definition of "health care provider" and are not subject to HIPAA regulations.

Health care providers will be assigned NPIs upon successful completion of an application form. The form can be submitted on paper or over the Internet. Once a health care provider has been assigned an NPI, it must furnish updates to its data within 30 days of any changes.

The National Provider System (NPS), being built under Centers for Medicare & Medicaid Services (CMS) contract, will process the applications and updates, ensure the uniqueness of the health care provider, and generate the NPIs. The NPIs will be able to produce reports and information based on requests from the health care industry and others.

A single entity, known as the enumerator, and performing under a CMS contract, will operate the NPS. The enumerator will receive applications and updates from health care providers, and assist health care providers in completing applications and in furnishing updates, and will be responsible for resolving problems and answering questions. The enumerator will notify the health care providers of their NPIs and will process requests for NPIs.

For more information on NPIs, go to www.cms.hhs.gov.

This information has been presented in a two part series. All information was taken from the FMA's December 2004 HIPAA Alert.

SENIOR EXPO 2005

The Lee County Medical Society participated in the annual Senior Expo. The Senior Expo is held every year at the Harborside Convention Center in Downtown Fort Myers. It attracts hundreds of seniors. This year we sponsored a Health Care Pavilion where we had 13 doctors' offices sign up and they provided much valuable information to the seniors in our community. We are hoping to sponsor this event again, please make your plans now for January 2006.

NEW MEMBER APPLICANTS
Application for Membership

BRIAN K. ARCEMENT, M.D. - CARDIOLOGY
Medical School: University of Alabama (1989-93)
Internship/Residency: University of South Alabama (1993-1997)
Fellowship: University of Florida Health Science Center, Jacksonville, FL (1997-00)
Vanderbilt University Medical Center, Nashville, TN (2000-01)
Board Certification: American Board of Internal Medicine and Cardiology
Dr. Arcement is with Advanced Heart Center at
14051 Metropolis Avenue, Fort Myers, FL 33912.

CARLOS L. CHAVEZ, MD - ANESTHESIOLOGY
Medical School: Central University, Quito, Ecuador (1987-94)
Internship: University of Puerto Rico, San Juan, PR (2000-01)
Residency: Medical College of Ohio, Toledo, OH (2001-04)
Dr. Chavez is with Medical Anesthesia & Pain Management
at 4048 Evans Avenue, Suite 303, Fort Myers, FL 33901.

VLADIMIR ILIC, MD - CARDIOLOGY
Medical School: University of Zagreb, Croatia (1985-91)
Internship: Medical Center of Pula, Croatia (1991-92)
Residency: Lenox Hill Hospital, New York (1996-99)
Fellowship: Lenox Hill Hospital, New York (1999-2004)
Board Certification: American Osteopathic Board of Surgery
Dr. Ilic is with Advanced Heart Center at
14051 Metropolis Avenue, Fort Myers, FL 33912.

MICHAEL STRICKLAND, DO - UROLOGY
Medical School: Kirksville College of Osteopathic Med, Kirksville, MO (1991-95)
Internship: Riverside Osteopathic Hospital, Trenton, MI (1995-96)
Residency: Riverside Osteopathic Hospital, Trenton, MI (1996-98)
University Of Medicine and Dentistry, Stratford, NJ (1998-2001)
Board Certification: American Osteopathic Board of Surgery
Dr. Strickland is with SWFL Urologic Associates at
507 Del Prado Blvd, Cape Coral, FL 33990.

WORKERS COMP CHANGES FOR 2005

The Florida State Legislature increased workers comp rates for physician practices 10% this year, effective January 1, 2005, so physicians are now paying $1.05 per thousand of payroll (up from 95 cents per thousand last year). In addition, they approved an increase for corporation officers' salaries subject to the workers comp premium to be capped at $98,800. That means, if a physician is included in his/her office's workers comp policy, it will cost approximately $1,037 per year to cover themselves. This rate is the same no matter which company writes your workers comp premium.

That is important to know that when weighing the cost vs. benefit of exempting the owners/officers from their workers comp policy. Many doctors feel workers comp is a means of providing unlimited lifetime medical benefits and a prescribed amount of lost income for any employee who has a work related illness or injury in return for protection from law suits in most cases. **What doctors must consider, however, is that many health policies will exclude benefits for any work related issue if the doctor chose voluntarily to decline workerscompensation.** For doctors, the main concern is blood born illnesses and accidents involving rushing to the hospital. If the budget can not afford covering the doctor/s, then make sure your health policy has a 24 hour provision that will not exclude any work related illness or injury.

Keep in mind your County Medical Society wanted you to have a benefit that could result in a tangible reward. **We are averaging 22% dividends of workers comp premium for each participating physician.** That is one of the ways we know how to combat the increasing cost of this and every benefit for your employees. Call Liza Battaglia of Professional Benefits, Inc. and share your renewal date so she can contact you 60 days in advance to discuss your coverage. You can call toll free at 1-800-741-5170 or direct at 941-957-1310 or email liza@professionalbenefits.org.

One other issue that has been causing problems for physicians' offices during the annual audits of workers compensation is the increasing enforcement of requiring insurance certificates for any independent or sub-contractor that you pay by 1099. That can include transcriptionists, lawncare companies, and technicians. The best way to avoid paying extra premium on these non-employee payrolls is to have a certificate of coverage from them showing they have their own workers comp coverage or an affidavit certifying that they qualify as independent contractors and will not be seeking coverage under your policy. If you need a sample affidavit or have any questions, please call toll free at 1-800-741-5170 and ask for Liza Battaglia.

Liza Battaglia, MBA and Jim Tollerton, CLU, ChFC, RHU are insurance professionals dedicated to helping individuals and businesses find value for their insurance premium. Professional Benefits, Inc. is located in Sarasota, Florida. Find us on the web at www.ProfessionalBenefits.org.

THE IMPORTANCE OF AN ANNUAL FINANCIAL REVIEW

By Sandi Washburn, Financial Advisor
IronStone Securities

Now is the perfect time to do a review of your family's net worth and financial plan. As the statements come in, put all the details on a big spreadsheet to see how you are doing. Then compare it to your comprehensive financial plan to see if you are where you need to be in order to achieve your goals. This exercise will help keep you focused on the long-term.

So start with your perspective and, as an investor, review the plan you have in place (or get a plan in place if you don't already have one).

How is your family doing? Have you reviewed the impact of 2004 on your family's financial situation? Have you updated your financial plan to reflect the new realities? Once you have a financial plan completed the first time, updating it is a fairly simple process!

Take a look at your financial plan - and the assets that you own backing that plan. Review the insurance section of the plan. Have you purchased the life insurance that you need to provide for your family in the event of an untimely demise? Do you have enough disability income insurance? Have you considered long-term care insurance for you and your spouse? How about for your parents and your in-laws?

Have you taken steps toward funding the college education you want for your children? Perhaps one of the new Section 529 plans is just the thing your family needs.

Moving on to retirement planning: Are you maxing out your 401(k)/403(b)/or IRA plan contributions? Does your financial plan uncover a retirement shortfall? Does it recommend that you save more for retirement? Perhaps you should consider variable annuities. In fact, consider systematic investment into your variable annuity with automatic additions. You can set up a monthly "payday" deduction, right from your checking account. If you already have enough in your 401(k)/403(b)/or IRA and pension plans to fund your plan, congratulations!

How about your asset allocation? Have you rebalanced to offset the impacts of 2004? Rather than buying more individual securities, should you put more in mutual funds and separately managed accounts with professional managers watching the buys and sells? Are you paying for your account efficiently - or would a fee-based investment account be a better vehicle than one where you pay *commissions for each individual securities* trade?

And then there is your estate plan. Have you updated your wills and trusts to reflect the new tax law? Are you comfortable with who is going to get what? Do your kids have a guardian? Have you funded the needed trusts? Do you need to fund a potential estate tax liability? Check with your estate planning professional to flesh out what you need here. Both life insurance and trusts are frequently part of the solution.

As a Financial Advisor I have found that once I have taken this long-term perspective for my own family's finances, it is much easier to help clients take a long-term perspective too. This is a process that every investor should undertake at least annually. And the New Year is a perfect time to get going!

INVESTMENTS IN SECURITIES, ANNUITIES, AND INSURANCE: ARE NOT FDIC INSURED, ARE NOT BANK GUARANTEED, MAY LOSE VALUE BROKERAGE SERVICES ARE OFFERED THROUGH IRONSTONE SECURITIES, INC. MEMBER NASD/SIPC

This article was provided courtesy of Brenda E. Dolan, Medical Financial Specialist and Vice President of IronStone Bank. If you should have any questions regarding this article or any other needs you may have please contact Brenda or Sandi at (239) 985-2205

BUY SELL AGREEMENTS FOR PRACTICES

By Jim Tollerton

Two recent events reminded me to encourage physicians in joint practice to create or review their buy-sell arrangements with partners.

Our long-time senior partner, Bill Hollister, died which reminded me of his constant advice over the years to encourage business associates to negotiate the "out" at the beginning of the relationship. Businesses/Practices, which do not have a pre-determined arrangement usually, suffer in many ways when one or more partners decide to leave, die or become disabled. Those contingencies should be thought through at the inception of a business relationship rather than after the fact, unfortunately no plan is a plan, but usually results in hard feelings and unsatisfactory results.

The other triggering event was the unanticipated death of a professional in a practice. The result was a surviving spouse who expected much more for the decedent's share of the practice than it was worth. The resulting hard feelings and threats of litigation have distracted both parties from getting on with their lives and seriously disrupted the practice. Had there been an existing document spelling out what would happen in the event of the death (or disability or departure) of a partner, there would have been a road map to resolution rather than the expensive (to both parties) legal negotiations.

A buy-sell agreement should be reached by the owners as to the value or valuation formula and the process of payment. An attorney should be consulted to draft the actual document memorializing the agreement. The attorney, account or other financial advisor can usually provide some guidance as to the specific elements that need to be agreed to prior to executing the agreement.

If the agreement is truly "arms-length" and binding on all parties, the IRS will usually recognize the valuation for estate tax purposes. If there is no agreement, the IRS uses a Revenue Ruling as guidance to determine for the parties the estate tax valuation method. Needless to say, that Ruling may not necessarily be acceptable to either or both parties.

An often overlooked element is the necessity for periodic update of the valuation to continue to be fair to all parties, none of whom can know ahead of time whether they or their heirs will be on the buying or selling side. Sometimes the document will contain language calling for the adjustment of the last agreed to value, after the passage of time where the price is not updated. A formula valuation can sometimes be used instead of a fixed price. The formula can reflect consistent financial or other measures that are periodically calculated in the normal course of business.

The best agreement in the world is useless if there is no funding in place. The parties can usually negotiate a living buy-out, but the death or disability of a partner can set up the intense hard feelings described above.

Life insurance, including term insurance, can be used, as an economical funding vehicle for the death of a partner. However, even more likely is the disability of a partner. Having experienced this event a number of times, I would strongly suggest evaluating that reality and funding the agreement with either a lump sum or installment payment buy-out disability policy.

One senior partner of a firm suffered a total, then partial disability and tried to return. The surviving partners were faced with the reality of the senior partner demanding a continuation of his full compensation while only being partially effective. In the absence of a funded buy-sell agreement, the practice and the partnership deteriorated in to a series of threats and even litigation to resolve what could have been avoided by prior planning.

Physicians today are driven to maximize the efficient use of their time. Efficiency would be to plan for the reality of dissolution of their partnership due to voluntary (or involuntary) departure, death or disability.

If we at Professional Benefits can be of assistance, to you or your counsel, please call us. 957-1310 or 800/751-5170.

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General Meeting and Installation of Officers
Royal Palm Yacht Club
MARCH 24, 2005