

## Wealth Management: A Survey of Affluent Surgeons and Specialists in Central Pennsylvania

Medical specialists in Central Pennsylvania have been experiencing a noticeable change in the way that they conduct their business and its impact on their personal financial lives. We have surveyed and personally interviewed a sampling of this population and seek to summarize their common challenges while also suggesting some solutions to relieve some of their concerns. The challenges faced by the surgical and medical specialists have been observed in two key areas: business management and personal fallout due to the changing work environment. The issues revealed through this survey seem to be tightly intertwined and consistent through the observed group.

### Centralized Employment & Fee Compression

The most significant trend noted by our study is the move to very large specialty practices and centralized hospital employers. This is being driven by a reduction in the reimbursements for procedures both from the health insurance providers and from Medicare and Medicaid. The impact of shrinking revenues cannot be understated. It is pervasive to all issues from practice management through the daily schedule of the health care practitioner. A theme of “do more

with less” would be an overarching sentiment from the survey participants.

Fee compression has led to an expectation of lower income, increased need for productivity and greater attention to practice management details. The implementation of the fee reduction also seems to favor the hospital setting. Anecdotally, we were told of a number of procedures which provided higher reimbursement values when performed in the hospital versus a comparable clinic environment. This being considered explains the consolidation of larger practices and their further consolidation into major hospital providers. Significant efficiencies in overhead can be realized in this structure as well the reimbursement inequities between clinic and hospital procedures can be maximized while further taking advantage of the increased volume inherent in a central location and the cross referral ability within the institution.

### Malpractice Concerns

Of particular interest to our group was the observation that malpractice was not a major concern of the Surgeons and Specialist polled. In Pennsylvania, the structure brought about in March of 2002 by the Medical Care Availability and Reduction of Error (MCare) Act has statistically abated the malpractice claims.

According to the Pennsylvania Department of Insurance, the number of jury verdicts of \$1 million or more declined from 44 in 2000 to 22 in 2002, and the overall amount of these awards decreased by over 75 percent, from \$415 million to \$93 million. While none of the Physicians expressed concern over the malpractice environment in Pennsylvania, a few comments are worth noting. These comments refer to the personal impact of what was largely regarded as “the inevitable” law suit. It was mentioned that the personal impact of everything that happens during a malpractice case, especially when the patient in question dies, can be hard to handle. And while this is not at all surprising, a few physicians indicated that their professional reputation had been vigorously attacked and each felt that neither their employer nor their malpractice insurance company had attempted to defend that reputation. Also of particular personal concern was to not be inappropriately reported to the National Practitioner Data Bank a national repository of malpractice incidents and findings. This observation will be further discussed in our conclusions and recommendations.

The macro trend towards larger employers and compressed fees has a direct personal impact on the surgeons and specialists. The first and most obvious is that with no immediate relief foreseeable, their pay will not increase, and

will likely decrease for the same amount of work. Unfortunately, the corollary does not hold true, surgeons must maintain their productivity in this environment to stay viable, they are not in a position where they can elect to work the same and be paid less. It was reported that surgeons and specialist expect more “call” duty, fewer vacations and less flexibility to their work schedule. This is further exacerbated by fewer hirings within practice groups and seemingly fewer surgeons and specialists available to fill staffing needs.

#### Time Compression

With fee compression and increased demands for productivity has come time compression as well. At the professional level, this manifests as off hour business meetings. Repeatedly, we heard that there was no expectation that the complexity of administration or compliance to lessen. In fact, the contrary was prevalent; most believed that legal and administrative demands will worsen in this environment. Personally, the physicians described that fewer hours were available for the family. While most were cognizant of the time compression, as a wealth management firm, we noticed that less time was available to attend to personal financial matters. 62% of the polled group rated their estate planning as important to them although they felt it was out of date. Similarly, all that were questioned

in this study rated their concern over income taxes greater than a score of 5 out of 10, yet many did not feel they had a strategy to reduce taxes. This resembles a general sentiment that suggests that more than half of the survey group was merely satisfied with their current financial condition. This was not only a result of time compression though, as uncertain stock market conditions, increased college tuition expectations and inadequate retirement savings also played a factor in this rating. As an aside, one of the definite downsides of the “Hospital as Employer” model is the delivery of retirement savings vehicles. In an effort to save money, many modern employers have done away with the defined benefit pensions opting for more cost effective salary deferral plans such as the 401(k). The statutory contribution limits on these plans make it difficult for a surgeon or specialist to save enough money within the plan to retire on. Many stated that they are not relying on the Social Security system to provide them retirement benefits due to their high incomes, yet felt that they were not doing enough personally.

This illustrates the larger problem for the time constrained surgeon or specialist. They largely do not have the time to keep up with the ever changing issues in the investment, estate and income tax arenas requiring most to rely on professional guidance for help in these areas.

## Conclusions and Recommendations

The challenge for the surgeon or specialist in central Pennsylvania is to make the very most of their time, income and professional relationships so as not to miss opportunities in their personal financial matters. It is not surprising that this study has found that physicians in central PA are similar to those in the rest of the country, as reported in the book “Wealth Preservation for Physicians”, 2006 where 58% of physicians were highly dissatisfied with their financial situation and another 34% were moderately dissatisfied. To close this dissatisfaction gap, we believe that the Wealth Management approach employing a consultative team may be appropriate in addressing the unique problems of the surgeon and specialists in central PA. Using this approach, the wealth manager acts to coordinate a team which includes the CPA, estate planner, and an insurance specialist. From our earlier discussion, the surgeon or specialist’s team should also include someone that can provide malpractice representation. If named in a malpractice case, we believe it is in the surgeon’s best interest to consult, for their own protection, a malpractice attorney that will represent them separate and apart from their employer or malpractice insurance company. On a day to day basis the original four members – wealth manager, CPA, estate attorney and insurance specialist—work

together to provide comprehensive advice using the Wealth Management Consultative Process.

The Wealth Management Consultative Process is a systematic approach utilizing all of the members of the wealth management team. It begins with a series of three meetings: the discovery meeting, the investment plan meeting and the mutual commitment meeting. During this group of meetings the surgeon / specialist's goals, needs and current position are clearly documented. A detailed investment plan meant to achieve those goals and needs is established, and the necessary business documentation is executed. 45 days after the establishment of the wealth management plan a meeting is held to review any immediate concerns and review the establishment of the new accounts with the wealth management firm. Regular review meetings are then scheduled to update and maintain the other important issues of the wealth management plan such as reviewing estate documents and annual tax planning sessions. In further detail, this is an outline of what we believe you should expect from the wealth management consultative process:

#### The Discovery Meeting

At the first meeting, the wealth manager you are considering hiring will use a systematic, detailed interview process to define your true

financial needs, goals and current position. This process will provide the advisor with the information he or she needs to create a Total Client Profile. This is a key tool for communication your financial picture to a network of specialists the advisor will turn to for help in creating customized wealth management strategies.

During the meeting, expect the wealth manager to work with you to uncover your values, wants and needs; collect information to assess the suitability of working together; and garner the details necessary to create a wealth management plan.

#### The Investment Plan Meeting

In this meeting, the wealth manager will present you with a detailed investment plan that describes your needs and risk tolerances and provides benchmarks for tracking progress toward your goals. This plan will serve as the road map that can help enhance the probability of achieving everything that is important in your financial life.

Investment plans will likely include these six important areas of discussion:

- Your long-term needs objectives and values.
- A definition of the level of risk that you are willing to accept

- The expected time horizon for your investments
- The rate-of-return objective and asset classes that will be used
- The investment methodology that will be used
- A strategic implementation plan

A well-drafted investment plan should give you the sense that your advisor is making smart decisions about your money.

After your advisor walks you through the investment plan, he or she will likely explain that investments are only the foundation of the entire financial picture. Your advisor will explain that if you become a client, he or she will consult with a professional network of top specialists to help with your financial challenges.

#### The Mutual Commitment Meeting

At this meeting, if you have been pleased with the discussions so far, you will likely become a client. You can ask any questions of voice any concerns about the investment plan. You and

the advisor can then make a mutual decision about whether you should proceed. If you choose to work together, the advisor will ask you to execute all documents needed to begin to implement the investment plan.

#### The 45-Day Follow-up Meeting

Because of the amount of paperwork generated when money is transferred and multiple accounts are involved, you might start feeling overwhelmed in the weeks following implementation of the investment plan. This meeting should alleviate your concerns. Your advisor should show you how to read the various statements you receive and help you organize the documentation.

#### Regular Review Meetings

These meetings will likely be held on a regular basis to address issues as appropriate. You will be able to ask questions at each meeting, and your advisor will review and explain your portfolio's performance relative to your long-term goals.

*Ranker-Hanshaw Wealth Management is a Central Pennsylvanian firm that specializes in providing wealth management solutions to surgeons, medical specialist and affluent families.*

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