



Physician retirement and practice transition self-assessment tool

Tools to improve your group practice from the MGMA Health Care Consulting Group.

*By Bruce A. Johnson, JD, MPA
Principal, MGMA Health Care Consulting Group*

This assessment tool will help you understand your group's readiness to deal with physician retirement and related practice transitions. The tool provides you with insights into issues that commonly produce problems for groups and what actions may be necessary to address them.

Print out the tool, respond to the questions and apply the appropriate points to all questions. For example, if your practice does not have any written agreements dealing with buy-out issues (Question 2A), select "no agreements" and add 20 points to your total. When you're finished, total your points to obtain your final score. Consult the key at the end of the tool to get a general assessment of your group's readiness for transition/retirement.

For more information on retirement and transition planning, contact the MGMA Health Care Consulting Group toll-free 877.ASK.MGMA (275-6462), ext. 877, or e-mail consulting@mgma.com.

1. Physician demographics

Indicate the approximate percentage of physicians in your group who fall within the following age ranges as of today:

A. Physicians under age 50

- Under 10% of total physicians (2 points)
- 10% to 20% of total physicians (3 points)
- 20% or more of total physicians (5 points)
- No physicians in this age range (0 points)

Sum of points _____

B. Physicians age 51-60

- Under 10% of total physicians (5 points)
- 10% to 20% of total physicians (10 points)
- 20% or more of total physicians (15 points)
- No physicians in this age range (0 points)

Sum of points _____

C. Physicians age 61 and older

- Under 10% of total physicians (10 points)
- 10% to 20% of total physicians (15 points)
- 20% or more of total physicians (20 points)
- No physicians in this age range (0 points)

Sum of points _____

2. Contracts

Indicate whether contractual agreements exist within your group dealing with physicians' retirement/buy-out.

A. Do contractual agreements exist?

- Yes, our group has contracts in place (0 points, proceed to Question 2B).
- No, our group does not have contracts (20 points, proceed to Question 2C).

Sum of points _____

B. If agreements do exist, do they address the following issues?

- Sale of stock (Yes — 0 points, No — 2 points)
- Treatment of accounts receivable (Yes — 0 points, No — 2 points)
- Treatment of goodwill (Yes — 0 points, No — 2 points)
- Specific terms of governing retirement/termination (Yes — 0 points, No — 2 points)
- Terms regarding reduction/cessation of call (Yes — 0 points, No — 2 points)

Sum of points _____

C. For groups without contractual agreements, which of the following is most true?

- It is known that individual physicians have expectations for a financial buy-out, even though the specifics are undefined. (15 points)
- It is unknown if individual physicians have any buy-out expectations. (15 points)
- Individual physicians do not seem too concerned about a financial buy-out. (5 points)

Sum of points _____

3. Physician plans/preferences

Indicate the level of information available regarding your physicians' plans for retirement, slowdown, transition, etc.

A. Which statement is most true regarding your physicians' plans?

- No knowledge of any physician's future plans. (10 points)
- Physician's plans generally known to the group's administrator, but not disclosed to group as a whole. (6 points)
- Plans known to the group as a whole. (2 points)

Sum of points _____

4. Group strategic plans related to retirement

Indicate whether or not your group has a specific strategic plan regarding older physicians.

A. What is the current age range of physicians in your group?

- All group physicians are under age 50. (0 points, proceed to Section 5 — Financial Modeling, below)
- Our group has physicians age 50 or older. (2 points, proceed to Question 4B)

Sum of points _____

B. For groups with physicians over age 50, indicate the statement that is most true:

- Our group has not conducted strategic planning activities during the last three years. (25 points)
- Our group has conducted planning activities in the last three years, but retirement/transition issues were never raised or addressed. (20 points)
- Our group has conducted planning activities in the last three years, during which retirement/transition issues were raised, but have been put off. (15 points)
- Our group has conducted planning activities in the last three years, retirement/transition issues were raised and discussed, but not integrated into near-term or long-term plans. (10 points)
- Our group has conducted planning and has a defined objective for transition/retirement as part of our overall strategic plan. (0 points)

Sum of points _____

5. Financial modeling

Please indicate whether your group has performed financial modeling of your current retirement/transition arrangement and what information the modeling generated.

A. Has modeling been performed to determine the impact of retirement/transition on your group?

No, our group has never performed modeling of our current retirement/buy-out obligations. (10 points, proceed to Question 5B)

Yes, our group has performed modeling of our current retirement/buy-out obligations. (0 points, proceed to Question 5C)

Sum of points _____

B. If your group has not performed financial modeling, which statement is most true?

Before reviewing this assessment tool, our group never had thought about modeling the implications of our current buy-out arrangements and had no idea how it would turn out. (20 points)

While our group has not performed financial modeling, my gut tells me that the cost of our current retirement/transition arrangement will create problems for cash flow, recruitment of new physicians and in other ways. It does not look good. (15 points)

While our group has not performed financial modeling, my gut tells me that the cost of our current retirement/transition arrangement will have minimal implications for our cash flow, recruitment of new physicians and in other ways. We should be able to weather the retirement without skipping a beat. (5 points)

Sum of points _____

C. If your group has performed financial modeling, which statement is most true?

We've performed modeling and it doesn't look good. (10 points)

Modeling has been performed and it doesn't look bad, though it will be difficult to implement financially or otherwise. (5 points)

Modeling has been performed and we should not have a problem. (0 points)

Sum of points _____

TOTAL SCORE _____

How did your group score? Use the following scale to get an idea of your group's general level of readiness for physician retirement/transition.

Total Score

Fewer than 35

Don't worry, be happy. You've probably got your act together or you're lucky to have sufficient time to deal with this issue in the future.

35-50

You probably have some flexibility, but it would be prudent to do some behind-the-scenes homework and begin to plant the seeds for future consideration or action.

50-65

You need to act now. You still have time, but only a limited window before the issue becomes a problem.

65-80

You should have acted months or years ago. You probably have a significant problem on your hands that may require drastic measures.

Over 80

You have a significant problem and must take action immediately.

This test is certainly not scientific, and do not be ashamed if you scored poorly. Unfortunately, many groups have not effectively planned for physician transitions. At least now you have some insight into your group's readiness to deal with retirement/transition matters, along with knowledge of the issues to consider.

© 2002-2003 Medical Group Management Association. All rights reserved. Often, retirement/transition is a difficult and sometimes emotional matter for physicians. As older physicians look toward retirement and generational issues emerge with younger practitioners, the need for prudent planning is essential to a medical group's future viability. This statement is especially true as reimbursement continues to decline and cash flow gets tighter. There are certainly other issues that may influence your readiness, and the assistance of an outside expert may be necessary to help resolve your group's challenges. Feel free to contact the [MGMA Health Care Consulting Group](#) for more information.