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The most common financial errors independent surgeons make Featured

Written by Anuja Vaidya | Thursday, 31 August 2017 21:46

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Seven spine surgeons offer advice on avoiding financial missteps in both professional and personal spheres.

***Ask Spine Surgeons** is a weekly series of questions posed to spine surgeons around the country about clinical, business and policy issues affecting spine care. We invite all spine surgeon and specialist responses.*

Next week's question: What is the best book you have read so far in 2017?

*Please send responses to Anuja Vaidya at avaidya@beckershealthcare.com by **Wednesday, Sept. 6, at 5 p.m. CST.***

Question: What are some of the most common financial mistakes that independent surgeons make?

Brian R. Gantwerker, MD. Founder of the Craniospinal Center of Los Angeles: In my younger years, I was setting my fee schedule too low. It is best to work with a billing company that has access to community data. Set the fee schedule in the middle percentile. Finding ways to make money should never preclude taking care of patients, though. Another mistake is not spending money where it counts, such as spending a little more to get competent people in the office. The value of a 20-year-old employee with no experience versus a 56 year-old employee with 20 years of medical office experience is immeasurable.

Isador H Lieberman, MD. Spine Surgeon at Texas Back Institute (Plano): They invest in something they know nothing about.

Vladimir Sinkov, MD. Spine Surgeon at New Hampshire Orthopaedic Center (Nashua): Not investing in great people to work for you — while they will command higher salaries, the return on investment is usually worth it in terms of increased productivity and higher quality work.

Not all marketing expenses are created equal, for example, TV and radio ads cost a lot of money and look great, but yield very little in terms of new business for an independent spine surgeon. Learn how to code and bill for your procedures accurately. A lot of money may be left on the table if you do the work but do not bill for it properly.

Kern Singh, MD. Co-Director of Minimally Invasive Spine Institute at Midwest Orthopaedics at Rush (Chicago): Managing debt is the responsibility of all physicians and typically starts anywhere from college to medical school expenses. Collectively this interest adds up, especially for physicians who become independent. Independent surgeons must add on loans for leasing, equipment, managerial and business operations. Not preparing for managing all this debt is a common mistake that leads to high turnover for private practices.

Another common error is not adequately preparing for potential liabilities. Having insurance to cover malpractice, liability, disability and life, to say a few, is important to an independent surgeon's job security. Avoiding these pitfalls are essential components of a successful private practice and an independent surgeon.

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Jack Zigler, MD. Co-Director of the Center for Disc Replacement at Texas Back Institute (Plano): The most common mistake made by independent surgeons, especially those just starting out in practice, is to invest in sexy sounding high-risk ventures. Although promises of multiples on your investment are enticing, the batting average of successful returns on these investments is pretty poor.

Young docs should interview and establish a relationship with a credentialed financial planner who will meet with them regularly, keep track of their financials and be available for guidance and advice between meetings. But their most important role is to put financial restraint on the young surgeon, guiding them into investing their early income strategically.

The more safely you handle your money early in practice, the safer your family's financial health will be in your mid- and later-career. There will be time to make high-risk, potentially high-reward investments once you have established your base. Impulsive investing by surgeons early in their career has left many with the need to work harder and longer than they want at the tail-end of their careers.

Plas T. James, MD. Spine Surgeon at Atlanta Spine Institute: You have to have a hands-on approach. You can't just leave it all to your office manager. You actually have to be able to code your own surgeries for sure, that matters from the front end. Also make sure you're on top of the bills and that they're all going out. And then be able to keep track of your surgeries, keep track of trends in your service line. And make sure you're getting paid. You need to be in control of the office.

Rey Bosita, MD. Spine Surgeon at Texas Back Institute (Plano): Surgeons, like most other doctors, tend to be horrible investors. The errors that they make can be characterized by a few common mistakes that have plagued surgeons probably since ether masks were used in the Civil War.

Imperfect information is one. Most of us are not investment professionals. We spend the vast majority of our day taking care of people and operating. For those of us who try to manage our own investments, time can often be limited as we try to sift through the incredible amount of investment information that is circulating. We may not be aware of all the market forces that are affecting a particular company's stock price at any given moment.

There is also a lack of understanding risk tolerance. We all want great returns. We all want our money to double quickly and effortlessly, but a lot of times we do not understand the risk that comes with investing in some of these high-gluing stocks. Many companies fail. Sometimes money can be lost. The stock market will go down sometimes. Just because a whole industry may be growing does not mean that every company in that space will grow.

Additionally, there is a lack of understanding the concept of liquidity. Some investments may do great — on paper. Just because an investment grows on paper does not mean that a doctor can get cash out to spend. Such growth can also have tax implications, where a growing non-cash-producing investment can create a tax burden for the doctor, who must now get cash from another source to pay the taxes, maintenance or other interest payments on the illiquid investment.

Contributing to family investments is another common error. It's hard to say no to cousin Johnny who wants to open up a Taco Casa in Norman, Oklahoma. Or Uncle Ted who wants to start a biotech company with just a few thousand dollars of your seed money. It is even harder to try and collect on a debt or try and hold accountability over family members who fail to perform.

Most doctors have trouble setting a long-term budget. How much money will be needed and when? When are the kids going to college? When do I want to retire — these questions must all be answered before the first dollar is invested so that the doctor can choose the right investment vehicles for the right purpose at the right time of their lives.

Also, young doctors who finish their training often experience a dramatic rise in their incomes as they start their jobs as attending physicians. We all want to experience life and try out our new-found financial and personal freedom. We buy that new BMW. We go on cool vacations. After all, we have been delaying gratification for 10 years or so! Medical school debt is the evil specter that often keeps a new doctor's net worth negative for many years after finishing residency.

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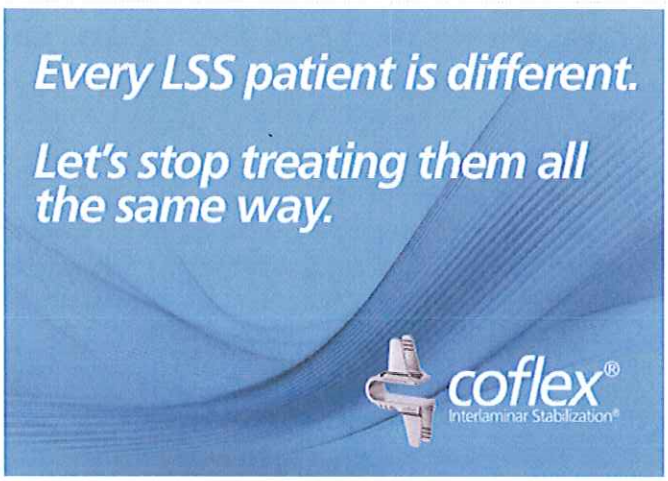

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