Sharing expenses — a viable alternative?

by L D Osment

Expense sharing gives one the advantages of joint practice, says one doctor, and eliminates a big source of friction: how to split income.

The question of taking in a partner or practising alone is one which many physicians — both those starting out and experienced hands — often agonize over. However, a third choice which can offer the benefits of both worlds — expense sharing, is often overlooked. It may not be the best course for every doctor but it has worked well for one doctor for 25 years.

Dr B's first expense sharing practice was with a fellow dermatologist ten years his senior. Dr B was just completing his internship while his proposed partner Dr F felt burdened with too many patients, and needed another doctor to handle his overflow. One potential obstacle was that Dr B wanted to teach at the local medical school three hours a day.

The first thing the two doctors did was to assess their respective practice goals as they might have done if they were going into partnership.

After all, compatibility is a factor in an expense sharing practice as well, and in this way they minimized their chances of arguments in the future. They also agreed to review their arrangement annually, something which is strongly advisable in order to keep up with changing interests and circumstances.

The problem of Dr B's teaching role was solved very simply. Since he would be seeing fewer patients both because he was just starting out and because of his teaching hours he would pay 40% of the shared expenses and his associate would pay 60%. Later when patient loads evened out they would adopt a 50-50 basis even though Dr B continued teaching.

There are a number of methods of distributing expenses proportionately. They can be based, for instance, on individual gross income, time in the office or use of facilities and equipment.

Whatever the percentage of expenses agreed upon for each doctor, even the one paying the largest share would still save money over what he would pay if he were practising alone. Here are the reasons why:

Dr B's original associate (Dr F) booked space in a building on which construction was about to start. An architect was able to design their quarters to suit their practice. They chose their own furniture for their separate areas and decided on what they wanted in their common areas. This foresight helped them save a considerable amount of money because two doctors sharing one office do not need as much furniture and equipment as would be required for separate offices. As they were buying more than they would have as individuals, they were able to get some discounts.

> Each expense sharing arrangement should be tailored to meet the special circumstances of the doctors involved.

Over the years they saw many 'ideal' partnerships around them broken up by disagreements over how income should be shared. They, however, had no cause for such disagreements. Essentially each was in solo practice and they handled their collections by billing under their individual letterheads.

After the death of Dr F some years ago, Dr B took in a new 'expense sharer' who was 20 years his junior. In both this and his earlier expense sharing arrangement receptionists have been a joint expense, as have accounting, legal and practice management fees; office liability insurance, x-ray and special laboratory equipment; operating room supplies and chemicals such as liquid nitrogen.

Other shared expense items include magazines, furniture, office supplies, and telephone. They have maintained a separate bank account for these expenses with one doctor designated to oversee their payment.

They have found it advantageous however, to keep some expenses separate. For instance, they have their own bookkeeper. Dr B's new associate prefers an entirely separate bookkeeping system for his patients. This created no problems not even for their mutual receptionist in making collections at the time of service.

They also pay their rent separately, based on the amount of space they occupy for their examining and consultation rooms and their proportionate share of their common areas. Medical supplies and individual stationery are also paid for independently. This reduces the possibility of disagreements over various costs.

Except for the receptionist, each hires and pays his own personnel, but when employees are hired they are told they will have to fill in as needed. This way they do not waste time and effort finding temporary help when employees are out sick, on holiday and the like.

A big benefit of their system is not having to worry about coverage, the problem that drives some doctors into partnership. They plan their night and weekend call schedule well in advance; consult informally on the difficult cases and when one of them is ill, he knows that the other will handle any emergencies that arise for his patients.

Would they be as compatible in a true partnership? Maybe, but disputes over dividing income have soured many a good relationship and they are still soloists at heart —and in fact. □