

## **Physician Financial Triage**

By Scott Ridge

Physicians today find a constant barrage of economic and regulatory issues that continue to make the choice of practicing much less desirable compared to when they entered the medical practice. Numerous studies reveal frustration with steady reductions of income and increased bureaucracy.

Hospital and healthcare acquisition of practices has picked up in certain specialties, large groups are merging to create mega practices. The life of a sole practitioner or small practice now faces survival issues. Electronic Medical Records, reduced health payer reimbursements and flat medicare reimbursement continue to impact the bottom line.

How can you help you physician clients reduce their overhead, create an asset and possibly recharge their qualified plan? Introduce your client to The Hybrid Solution.

The Hybrid Solution allows a physician to have an HSA like structure for their professional liability insurance coverage. The Hybrid Solution lowers liability premiums by 30-40% for a doctor yet still provides a liability policy with all the standard, state mandated policy provisions of their current coverage.

The target market is physician spending over \$20,000 per year for their coverage, that are not an employee of a hospital, have not had a claim in the last five years and plan to practice medicine for another five year. Specialty doctors such as surgeons (general, orthopedic, cosmetic, cardio-vascular, neurology), OB/GYN, cardiology, radiology, emergency medicine, urology, gastroenterology, ophthalmology and oncology are all great prospects.

How does it work? The doctor will have a special liability policy combined with a high cash value life insurance policy. The life policy will serve as escrow for the liability policy in the event of a judgment. The typical escrow amount is \$100,000 and the doctor owns the life policy, has all rights to cash above the \$100,000 escrow amount.

Should the doctor continue to practice on a claims free basis all the cash in the life policy is available, plus we have also accumulated all of the premium savings in an investment account or pension plan. In the event of a claim leading to a judgment the physician is responsible for the first \$100,000 paid.

Any and all defense costs are not an exposure to the doctor and the escrow account, just a judgment.

Why use a life insurance policy? We're looking for a vehicle that allows growth on a tax-deferred basis, that has a safe and reasonable return, stable principal and high early values. Also, most physicians have existing life insurance or annuities that might need to be updated, possibly reducing premium outlays.

We have found that most physicians are looking for improved cash flow to fund disability insurance premiums or pension plans, as well as equipment purchases and partnership buyouts. Reductions of life and liability premiums average from \$10,000 to \$20,000 per doctor using The Hybrid Solution.

Why now? Since 2001 the number of physician liability lawsuits has dropped by 44% and in 2010 80% of all jury verdicts were for the defense. In 2011 70% of all verdicts were for the defense. Non jury verdicts were in the single digits in 2011 for the sixth straight year in Pennsylvania.

Unlike a Captive or Risk Retention Group (RRG) there is no need to incur any start up costs or worry about risk sharing issue using The Hybrid Solution. Each doctor has their own escrow account and experience within a practice will not impact each doctor.

The Hybrid Solution has been well received by doctors and their legal and accounting advisors. The Hybrid Solution is a proprietary program that we are looking to market on a co-broker basis. For more information please contact me via email at [saridge@yahoo.com](mailto:saridge@yahoo.com)

**Scott A. Ridge**, CLU, ChFC

Managing Partner, The Malibu Creek Group, Swarthmore, Pennsylvania, [www.tmcgllc.com](http://www.tmcgllc.com)