

physiciansBiz – July, 2004

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physiciansBiz would like to thank this months contributing editor Paul Szczepanski, CPA of Smolin, Lupin & Co., P.A.
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1. **Prior Service: Does It Entitle An Associate To A Purchase Discount?**

Q. Two years ago I entered into an associate relationship with a young doctor. It has been an excellent relationship. The doctor works hard; we are compatible; and the practice has grown significantly.

I think my associate would make an excellent partner and I would like to exercise the co-ownership clause in our professional employment contract. We have entered negotiations, but my associate insists that he receive a purchase discount for his prior service. He claims that since he grew the practice, he should receive consideration for his contribution to goodwill. Is his demand reasonable? Dr. CK.

A. An associate may build the practice, educate the staff, provide clinical expertise and be an excellent patient manger as well as practice manager, but, in my opinion, he/she is not entitled to any purchase discount for his/her contribution to the intangible value of the practice.

An employment agreement guarantees the associate a compensation package and may offer him/her an option to buy an equity interest in the practice, but it does not discount the value of the practice as a reward for honoring the contract, If an associate is a high-performance doctor, his/her reward is a promotion to partner, not a purchase discount.

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2. A Coup De' Tat. Not In My Practice.

Q. I established my practice seven years ago and it has grown to a two-doctor partnership practice. I intend to hire another doctor this year and promote him to partner in two years. Could my partners take control of the practice and force me out? How can I prevent this from happening?

A. The obvious way to protect yourself against a squeeze-out is to maintain majority ownership. If that is not possible, then write a senior-doctor option into your shareholder or partnership agreement. This provision gives you the right to re-purchase the equity interest of your partners if either one of them tries to dissolve the practice and squeeze you out. The restrictive covenant and non-solicitation clause will prevent your former partners from practicing in your catchment area and further deter them from holding you captive.

3. Topic of the Month: 10 Words You Simply Must Know

Evelyn Waugh once said, "One forgets words as one forgets names. One's vocabulary needs constant fertilisation or it will die." Editors at MSN Encarta picked some of their favorite words to nourish your vocabulary. Some of them you may even use.

1. Defenestrate: "**throw somebody or something out of window:** to throw something or somebody out of a window (formal or humorous)"

It is quite entertaining to defenestrate paper airplanes.

2. Garbology: "**study of waste materials:** the study of a cultural group by an examination of what it discards"

Garbology might be a good career choice for dumpster divers. Recycling may make the job of future garbologists extremely difficult--they'll have less to study.

3. Digerati: "**computer experts:** people who have or claim to have a sophisticated expertise in the area of computers, the Internet, and the World Wide Web"

Not too long ago, computer expertise was considered nerdy. These days, many people strive to be among the digerati.

4. Antipodes:

1. "**places at opposite sides of world:** places at opposite sides of the world from each other, or the areas at the side of the world opposite from a given place"

2. "**opposites:** two points, places, or things that are diametrically opposite each other"

One could say that Arthur "Fonzie" Fonzarelli and Warren "Potsie" Weber are antipodes.

5. Hallux: "**first digit on the foot:** the big toe on the human foot, or the first digit on the hind foot of some mammals, birds, reptiles, and amphibians (technical)"

The ballerina had her hallux insured for \$10 million!

6. Otiose:

1. "**not effective:** with no useful result or practical purpose"

2. "**worthless:** with little or no value"

3. "**lazy:** unwilling or uninterested in working or being active (archaic)"

Will e-mail render traditional letter writing otiose? Let's hope not.

7. Cullet: "**glass to be recycled:** broken or waste glass returned for recycling"

Don't forget to take the cullet out to the curbside, and be sure to put it next to the trash, not in it.

8. Pellucid:

- 1. "**clear in meaning**: easy to understand or clear in meaning (formal)"
- 2. "**transparent**: allowing all or most light to pass through (literary)"

The police officer's warning was pellucid: drivers must go the speed limit in the school zone.

9. Borborygmus: "**stomach rumble**: the rumbling sounds made by the movement of gases in the stomach and intestine (technical)"

If you lay your head on someone's stomach, you are likely to hear borborygmus.

10. Embrangle: "**perplex somebody**: to confuse, perplex, or entangle somebody or something (archaic)"

As Lord Needlebottom attempted to explain the rules of cricket, his American friends became more and more embrangled.

For more words, explore Encarta World English Dictionary at <http://encarta.msn.com/encnet/features/dictionary/dictionaryhome.aspx>.



4. This Day in History: 1909 Cadillac: From Ford To GM

The Buick Motor Company acquired the Cadillac Motor Company on behalf of General Motors for \$4.5 million on this day in 1909. Cadillac was born from the ashes of the Henry Ford Company, a business organized by William Murphy to produce a car by Henry Ford. Murphy had been one of the original backers of the Detroit Automobile Company, which had dissolved in 1901 after Ford had failed to build a car he was willing to put to market. Such faith did Murphy have in Ford that he gave him another chance in the Henry Ford Company, opting to use Ford's name due to the recognition he had received from his recent racing ventures.

Read this article on the History Channel website at: <http://www.historychannel.com/tdih/tdih.jsp?category=automotive>

1940 Welles films first scene of Citizen Kane

On this day in 1940, 25-year-old Orson Welles films the first scene of Citizen Kane. He co-wrote, produced, directed, and starred in the movie, his first foray into film. Though a financial failure, the film introduced new camera and sound techniques, influencing future filmmakers. In 1998, the movie topped the American Film Institute's list of America's 100 Greatest Movies.

Read this article on the History Channel website at: <http://www.historychannel.com/tdih/tdih.jsp?category=entertainment>



5. About the Firm

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- Practice Valuations
- Business Strategy and Planning
- Policy Manual Development
- System Development and Implementation
- Deal Negotiation
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- Practice Sales and Transition Planning

Our professionals are specialists in strategic management solutions for medical professionals and experts on practice valuation, medical practice management and finance for physicians, dentists, veterinarians and many other health care professionals.

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