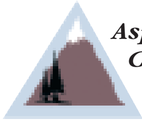

HOW TO ORGANIZE AND OPERATE A SUCCESSFUL ONCOLOGY PRACTICE

In the last newsletter we continued our three part series on operating a successful oncology practice based on three distinct areas of concern: A) Human Resource Management, B) Accounts Receivable Management, and C) Qualified Retirement Planning. The three parts combine to define the *ABC's* of operating a successful oncology practice. The common thread that runs through the *ABC's* is the need to organize, communicate and hold individuals accountable for their performance. In this third and final installment in the series, we will explore the use of "C" – Qualified Retirement Planning.

QUALIFIED RETIREMENT PLANNING

We recommend that every 3-5 years, a reevaluation be performed of the needs and opportunities available through qualified retirement plans. Each type of plan has attributes and constraints, which make the plan advantageous. The following decision criteria could be used to evaluate the need for qualified retirement plan implementation or changes:

1. Available funds for tax deferral
2. Age of physician and staff
3. Long and short term goals
4. Associated costs
5. Plan administration financial responsibility
6. Size of staff

TYPES OF QUALIFIED PLANS

Defined Benefit Plans: Defined benefit plans promise a participant a specific benefit. The benefit is usually expressed as a percentage of compensation or a specified dollar amount times years of service. The benefit is payable over the life of the participant and usually commences at the participant's normal retirement age. The benefit must be provided regardless of the investment return generated on the employer's contributions to the plan. Accordingly, the investment risk is assumed by the employer.

Defined Contribution Plans: Defined contribution plans specify the contribution (which may be discretionary) that the employer will make to the plan. There is no promise of a specific benefit. Rather, the participant will receive the contributions to the plan, plus or minus the investment return on the contributions. Accordingly, the investment risk is borne by the participant.

Profit Sharing Plans. Contributions are discretionary with the employer.

Money Purchase Pension Plans. The level of contributions is specified in the plan. The contribution is usually defined as a percentage of compensation.

Target Benefit Plans. A target benefit plan is a hybrid of a defined contribution plan and a defined benefit plan. The contribution is actuarially determined to provide and anticipated benefit. However, there is no guarantee that the benefit will be provided. As with all defined contribution plans, the benefit will only equal the contributions plus investment growth.

401(k) Plans. Under a 401(k) plan, the employee elects to have a portion of his or her compensation contributed to the plan on a before tax basis. The plan may provide that the employer will make a matching contribution equal to a portion of the employee's salary reduction contribution.

It is our recommendation that following the *ABC* concept will help practices focus on the most important aspects of their business. To be successful, you need to focus on your people (Human Resource Management), your uncollected earned money (Accounts Receivable Management), and providing a foundation for security (Qualified Retirement Planning).

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