



Disability Buy-out and Overhead Expense: Important Extensions of Business Continuation Planning

By: Joe Thomas of Capstone Financial Group

There are many areas that a physician needs to plan, but none more important than Business Continuation. While many physicians plan for the survival of their businesses in the event of a death of a partner, many don't consider the effects of disability on the practice's future. Or, like many of us, they just don't believe they will ever become disabled. Two types of coverage can help.

1. **Disability buy-out insurance** provides funds for the purchase of a disabled owner's interest in the event of a long-term, total disability.
2. **Overhead expense insurance** covers operating expenses of a practice when the owner can no longer generate revenue due to disability.

The two products work nicely in tandem. Overhead expense fills the gap immediately following the onset of disability to keep the doors open. If the disability becomes long term and a buy-sell agreement is in place, disability buy-out insurance can fund this obligation.

In the case of overhead expense, the coverage removes doubt about the practice's ability to continue to pay fixed, ongoing expenses in the absence of a disabled owner.

Disability buy-out insurance provides the following advantages:

- Maintains practice continuity and credibility, which are concerns of patients, creditors and employees
- Assures that the disabled owner and his/her family will not have to manage the practice in the event of total disability
- Assures that the active partner(s) retain control of the business
- Assures the disabled owner that his/her financial future is not contingent on the strength of the business
- Provides funds needed to pay medical bills and living costs

There are several ways to fund a buy-sell agreement, but none that provide the advantages, security and affordability of disability buy-out. One option commonly practiced by small businesses is to reinvest profits into the business after taking out enough to live on. At times, these businesses must rely on cash flow to pay for expansion and development, or must borrow money against the business. However, in an unforeseen situation like disability, there is no guarantee that the money will be there to pay for a physician's interest in the practice. Another option is to take out a loan from a financial institution. Unfortunately, loans are difficult to come by in this situation. The business may not be considered a good credit risk when a key contributor is disabled. Disability buy-out, however, provides guaranteed cash flow when needed – and usually is much more affordable than the alternatives.

You should understand how the following could impact your situation:

• **Tax consequences:** As is the case with most financial products, disability buy-out and overhead expense have important tax consequences. Premiums for disability buy-out coverage are **not** deductible. However, disability benefits paid to the business or to the non-disabled business owner(s) are received income **tax-free**. In the case of overhead expense coverage, premiums **are** deductible and benefits are **taxable** to the business. However, expenses being covered by overhead expense are deductible.

• **Payout methods and elimination periods:** When you are looking to fund your buy-sell agreement, many companies get hung-up on the Life portion and totally ignore the disability side due to the added cost involved. If this is the case, consider changing to coverage with longer elimination and benefit periods. In the case of disability buy-out, choosing an installment method of payment over a period of years rather than a lump sum payout will generally mean lower premiums. It could also mean a higher overall issue limit.

• **Buy-sell agreement:** In the case of disability buy-out, make sure there is a buy-sell agreement in effect before a claim is made-or there may be no claim. Most companies require an agreement to be in effect as a condition of paying benefits. Most insurance agents will be happy to work with your existing attorney to assist in drafting this agreement.

continued on page 5



UPCOMING EVENTS

- July 8 What Healthcare Reform Means To Your Practice? –
Hoover Embassy Suites
Administrators/Managers 2:30-4:00 p.m.
Physicians 6:00-7:30 p.m.
Co-sponsored with Montgomery County Medical Society
- July 15 Meaningful Use - The Final Rule.
Sessions will be held at the JCMS Office
Session 1 9:00 to 12:00 p.m.
Session 2 1:00 to 4:00 p.m.
- July 19 Executive Committee Meeting – 5:30 p.m.
- Aug. 1 The JCMS Annual Barons Baseball Outing
- Aug. 4 Ethics Committee Meeting
- Aug. 12 HIPAA Breach Notification – Hoover Embassy Suites
Administrators/Managers 2:00-4:00 p.m.
Physicians 6:00-7:30 p.m.
Co-sponsored with Montgomery County Medical Society
- Aug. 19 Fall CPC class series begins – class meets Thursdays from 9:00-
3:00 p.m. in the board room of the Jefferson County Medical Society through November
with exam the first Saturday in December.
- Sept. 9 Medicare, False Claims, etc. –Compliance Matters! – Hoover
Embassy Suites
Co-sponsored with Montgomery County Medical Society
- Sept. 20 Jefferson County Foundation Trust Meeting – 5:00 p.m.

Executive Committee Meeting – 5:30 p.m.

Board of Directors Meeting – 6:30 p.m.
- Sept. 21 The Wayne Finley 811 Breakfast Club Meeting – Dr. James H. Isobe will speak on
“The Use of Laser” at 8:30 a.m. in the JCMS Board Room

Contact Juanita Pruitt at 933-8601 or jpruitt@jcmsalabama.org for more information regarding any of the above events.

In Memoriam

The JCMS wants to acknowledge the recent passing of the following JCMS members:

James L. Windsor, M.D.
April 8, 2010

Lakey Wilson Tolbert, M.D.
June 10, 2010

JCMS Launches New Website

By: Martha Waters Wise, Executive Director

The JCMS has just launched a new interactive website which can be found at www.jcmsalabama.org. The new website, which was designed by InfoMedia, is another way we can keep members informed as well as offer assistance to the public. One exciting feature of the website is the online information offered about our members. For years the Society has offered a referral and information service where members of the public can call and receive referrals to our members. In addition, many individuals call our office to ask about the educational background and training of physicians to whom they have been referred or who they are considering as their physicians. In addition, physicians who terminate their relationships with patients often advise the patient that he or she can contact the JCMS to obtain referrals to other physicians. That service is now available twenty-four hours a day, seven days a week via the website. Individuals can search for physicians by name, city, specialty or a combination of these factors. Only physicians who are members of the JCMS and are actively practicing are included in the on-line directory and only information relating to the physician's practice is displayed (no e-mail addresses, home phone numbers or addresses, etc).

If a person types in a physician's last name, they are presented with a list of physicians who have that surname (or a surname that starts with that spelling—e.g., typing "Smith" would retrieve a list of physicians whose surnames are Smith, Smithfield and Smithson) as well as the physicians' specialties, locations and telephone numbers. If the person then clicks on a name from the list, they have access to more detailed information including the practice name and address, the physicians' gender and national origin, their educational background and board certifications, if any, as well as the hospitals where the physician has privileges. They can also see whether the physician is accepting new patients and whether the physician accepts Medicare and Medicaid—two questions frequently asked by people who call our office.

We have the ability to customize your display page by adding your photograph and a brief description of your practice—a sort of "mini-website" as an added benefit of your membership. We will be glad to add a link to your office's website to allow patients and other physicians to obtain additional information about you and your practice. The information displayed on the website is based upon the most recent information we have on file. Please take a

moment to review your information for accuracy and completeness—just visit the website and click on the "Find a Doctor" tab. Let us know if there are any additions or corrections which need to be made and feel free to send us a photograph, practice description and your website information so we can update your online directory listing. You might also consider sending us information regarding additional languages spoken, which board certifications you hold and any sub-specialties, since those are also questions we frequently receive. You can send additional information, photographs and corrections to us at mwise@jcmsalabama.org.

We believe on-line access to this information will be beneficial to the public, our members as well as to other physicians. Our website includes a "Community Resources" tab where we can post health-related information that should be dispersed on a community-wide basis and includes links to general health-related websites. If you have found general information websites that are beneficial or informative for your patients, send those to me as well and we can add those links. If you have other suggestions for the website please let us know.



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New Members

Andrei V. Alexandrov, M.D.	Neurology	Walter Jerry Oakes, M.D.	Neurological Surgery
Jamie Annemarie Cannon, M.D.	Colorectal Surgery	Matthew Oltmanns, M.D.	Ophthalmology
Charles T. Carnel, M.D.	Resident	Alfred L. Paige, M.D.	Neurology
Todd Vincent Cartee, M.D.	Dermatology	Jean-Francois Pittet, M.D.	Anesthesiology
Mike Kuang-Sing Chen, M.D.	Pediatric Surgery	Benjamin W. Roberts, M.D.	Ophthalmology
James Edward Davies Jr., M.D.	Surgery	Richard A. Sanders, M.D.	Orthopedic Surgery
Charles F. Felgner, M.D.	Internal Medicine	Maxcie Sikora, M.D.	Pediatric Allergy Immunology
Jayleen M. Grams, M.D.	Surgery	Richard D. Stahl, M.D.	Surgery
Rebecca W. Jones, M.D.	Psychiatry	J. Jeremy Thomas, M.D.	Emergency Medicine
William Kliphpatrick Love	Medical Student	Harrison Walker, III, M.D.	Neurology
Bruce Gerald Lowman, M.D.	Surgery		

Baseball and Bar-B-Que

Sponsored by Healthcare Financial Services, LLC

Make your plans now to attend the Annual JCMS Day at the Ballpark on Sunday, August 1 when the Birmingham Barons will take on the Chattanooga Lookouts in a 5:05 p.m. game. We have reserved the Robin Ventura Patio so you can watch the game either outside or inside in air-conditioned comfort. This year's event will feature DREAMLAND BAR-B-QUE and is open to JCMS members and their immediate families. This event is sponsored by our friends at Healthcare Financial Services, LLC. Space is limited and will be filled on a first-come basis, so make your reservations today by e-mailing mwise@jcmsalabama.org or calling us at 933-8601.

- **Overhead expense policy features:** Pay particular attention to covered overhead expenses. Be aware that there are overhead expense policies out there that only pay benefits for total disability.

- **Look for a policy that provides both total and partial benefits.** Check to see if replacement and employee salaries are covered. Also, look for carry forward of unused benefits and expenses.

Joe Thomas is a partner of Capstone Financial Group and a Financial Representative of Principal National Life Insurance Company and Principal Life Insurance Company, Principal National (except in New York) and Principal Life are issuing insurance companies of the Principal Financial Group®, Des Moines, IA 50392. Reach Joe at (205) 444-5588.

ERRATA

*In the last issue of Pulse we told you of the passing of "Herman Evan Zeiger, Jr., M.D." Dr. Zeiger's first name was incorrect in our announcement. The correct name is **Herbert Evan Zeiger, Jr., M.D.** We deeply apologize to his family and loved ones for this error.*

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In The News

Martin L. Schwartz, M.D., FACR, has been inducted as a Fellow in the American College of Radiology (ACR). The induction took place at a formal convocation ceremony during the recent 87th ACR Annual Meeting and Chapter Leadership conference May 15-19, 2010, in Washington, DC. Dr. Schwartz earned his medical degree from the University of Maryland School of Medicine in 1984. He is Vice President and Musculoskeletal Radiologist at Radiology Associates of Birmingham; Clinical Professor of Radiology at the University of Alabama School of Medicine; and Chairman of Radiology and Musculoskeletal Fellowship Co-Director at St. Vincent's Hospital Birmingham. American College of Radiology Fellows demonstrate a history of service to the College, organized radiology, teaching, or research. Approximately 10 percent of ACR members achieve this distinction.

Ronald E. Henderson, M.D., has been inducted in the Alabama Healthcare Hall of Fame. The induction took place at the 2010 Awards Luncheon May 8, at the Alabama Activity Center in Montgomery, AL. Dr. Henderson earned his medical degree from the University of Alabama in 1962. He completed his residency in OB/GYN and established his renowned practice at St. Vincent's Hospital. Dr. Henderson has served as a member of the Alabama State Committee of Public Health, the State Board of Medical Examiners, the Jefferson County Medical Society, the Medical Association of the State of Alabama and the American Medical Association.

John William Farley, M.D., who became Board Certified by The American Board of Internal Medicine in 1994, is now a Diplomate in Hospice & Palliative Medicine through the year 2018.

At MASA's 2010 Annual Meeting, the following JCMS members were honored by being presented with the following awards:

J. Max Austin, M.D., is the recipient of the 2010 Paul W. Burleson Award

Peter W. Morris, M.D., posthumously, and **Merle M. Salter, M.D., FACR**, are the recipients of the 2010 Ira L. Myers Service Award

Pamela D. Varner, M.D., along with **Christopher J. Rosko, M.D.**, were honored for their service in leadership positions with the Medical Association of the State of Alabama

Volunteer Doctors Needed in Shelby County Clinic

The Community of Hope Health Clinic in Shelby County desperately needs more physicians and other health care providers to volunteer at the clinic. The clinic meets on Thursday nights in the Shelby County Health Department in Pelham. Only uninsured adult patients between the ages of 18 and 64 are seen at the clinic.

Please contact Chris Monceret at chris.monceret@adph.state.al.us or at 205-685-4154 for more information. You can also get more information by visiting the clinic's website: www.communityofhopeclinic.org/index.html

"I have volunteered there on several occasions and found it to be quite gratifying. There is a big unmet need. Some of the volunteers work there only once a month, or once every other month, or PRN, so it's not a big commitment."

Mark E. Wilson, M.D.



Ask Robin Long for your MEMBER DISCOUNT!!

The Jefferson County Medical Society has arranged for its members to receive special discounts for collection and billing services. By special agreement with Healthcare Financial Services, LLC, (HFS) members will get outstanding collections results and services while paying low contingency fee rates...no results, no fees for JCMS members. Take advantage of your JCMS affiliation and call Robin Long at 601-420-1242 or 1-877-747-7072 (Client Services). Your benefits will be worth the call as HFS designs a special campaign for your specific needs. Be sure to mention your membership with JCMS to receive the discounted rate.

(See ad on page 3)



A New Program Has Been Launched by JCMS!!

By: Robert Levin, M.D.

The JCMS, in response to the desires expressed by our members, has launched a new dual-track program. The program consists of a series of educational seminars featuring healthcare attorney Rich Sanders. Mr. Sanders was formerly a partner at Balch Bingham and has now started his own healthcare law firm with offices in Birmingham and Atlanta. He is a dynamic speaker who obtained his undergraduate degree from Duke University and law degree from Emory Law School.

The first session was held on June 10. During the afternoon an instructional program was offered for practice administrators or managers at Embassy Suites in Hoover. This was a detailed training session regarding the expanded HIPAA and HITECH Act requirements, including the procedures you must have in place and the training required for your office employees. Attendees also received a comprehensive manual which included the materials needed for employee training. That evening, Mr. Sanders conducted a condensed informational session for physicians addressing the new requirements.

Approximately one hundred administrators and office managers attended the afternoon session. Numerous participants commented that it was one of the best programs they had ever attended. One manager stated that she had been to a HIPAA training program in Atlanta that cost more than three times as much but was not nearly as informative. The program series will consist of twelve segments, to be held on a monthly basis. The next session is scheduled for July 8 when Mr. Sanders will discuss the impact of healthcare reform on your practice. Additional topics will include OSHA, regulatory compliance, tax matters, adherence to corporate formalities and many other pertinent issues. The Jefferson County Medical Society is excited to be offering this new program to its members who can attend the evening sessions without charge. In addition, discounted pricing is available to the staff of JCMS members.



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