



100+years

AMERICAN COLLEGE OF SURGEONS

*Inspiring Quality:*

*Highest Standards, Better Outcomes*

## Practice Protection Committee Economic Survival Strategies in the COVID World

### INTRODUCTION

The worldwide pandemic has been the most disruptive force since the Second World War. There is virtually no single country or population that has not felt its impact, medically, socially, economically, and politically. Our lives have been affected on many levels. For many, the impacts are just starting to be realized. What was once a relatively secure professional environment is now in disarray with a new and still uncertain future. The points of contention and our complaints of six months ago have largely been pushed to a lower prioritization because of the difficulties imposed by the pandemic.

There is a great deal of uncertainty as to what the “new normal” will look like. The regular flow of patients that previously sought our care has been impeded by the new prioritizations imposed by a stunned healthcare system. Even more pertinent is the psychological impact that this pandemic has had on our population, which now may fear presenting themselves for care. Further, this “new” reality is probably not going away soon.

At a time like this, we need to personally regroup and remember what is important in life. As surgeons, we are always in control in the operating room, making life and death decisions for our patients. Now is the time we must take that same control of our personal lives and make sensible, deliberate decisions. This is **NOT** the time to allow emotion to cloud our choices for when emotion enters the room, the first thing to leave is reason.

**The key is rational prioritization.** First, think of the most important things in your life, those that you value the most. This will be different for each one of us. For many it will be our family, who will be there long after our careers have ended. Your personal health is also vital to any plan you have...and **your financial health is vital to your personal health.** Therefore, financial decisions must be made in a careful and measured way. We are a data driven profession, one that needs information before coming to make critical decisions. This same discipline is required at this time.

This guide is meant to be just that, a guide to help you to organize and prioritize your unique situation, to review it, and to take a deep breath. It contains concrete and specific points that you should assess, and most importantly to discuss with your spouse, your partner, and anyone else in your life who is or will be impacted. These matters must also be discussed with your accountant, your financial advisor and your attorney.

**Now is the time for reasonable well-informed decisions, and that is what we as surgeons do best.** We encourage you to take your time with this guide. It will be time well spent. We are a

Fellowship and that's what Fellows do...they support each other to the best of our collective abilities.

We wish you well, and we urge you to remember that you are not alone.

## **GENERAL PRINCIPLES – PERSONAL FINANCES**

- 1) **PAY YOURSELF FIRST!** Funds remaining after the servicing of debt, loans and other required payments should be allocated toward the goal of compiling a four to six months reserve of cash in liquid assets (money market, savings account). In a cash emergency, those savings should be used before any of your long-term investments. Look to allocate 15% of net income for this purpose.
- 2) Take time to contemplate and understand the full spectrum that makes up your discretionary expenditures, from the necessary and/or essential to the truly optional. Though personal to each individual situation, the relative need for each must be prioritized. Accept the fact that some discretionary expenditures will not be possible. Look for reasonable, less expensive alternatives.
- 3) Do not sacrifice the payment of your insurance premiums to create temporary cash flow to be used for other purposes.
- 4) Know your credit score and understand the five factors used to assess it: Payment History, Amount Owed, Length of History, New Credit Inquiries, Mix of Credit. Your credit score will have a significant effect on many areas impacting your financial status from loan rates to insurance payments.
- 5) Use credit only to acquire durable assets that increase in value and never borrow money to pay your tax obligations.

## **GENERAL PRINCIPLES – BUSINESS FINANCES**

- 1) There should be a firm wall between your personal savings and finances and those of your business. Shield your personal finances from your business finances and do not allow business liabilities to become personal financial liabilities.
- 2) Read all your contracts! Make sure that you understand all your contractual obligations. If necessary, seek legal counsel to accomplish this. It will be money well spent. Similarly, schedule time to consult with your professional tax advisor and your financial advisor to get their objective perspective on your current situation based on the findings from the spreadsheet exercise(s) below.

## SUGGESTED PROCESS

- I. Spreadsheet assessment of personal finances
- II. Spreadsheet assessment of business finances (surgeons in business practice)
- III. Variables and Options to Consider
- IV. Goal Assessment
- V. Deliberate and Informed Next Steps

### Spreadsheet assessment of Personal Finances

*“If we could first know where we are, and whither we are tending, we could better judge what to do, and how to do it.”*

Abraham Lincoln

This quote is a good starting point for assessing the current situation. ALL of us are in a unique and peculiar situation. For many, the current circumstances will necessitate critical decision-making, for the impact could be long-lasting. Before making these decisions, it is important to take a comprehensive look at your current situation.

In many cases, this will be from a perspective that has not been sought or required for many years. On the one hand, a full assessment of your current financial situation could indicate that it is in better condition than you imagined. Should that be the case, you will have the opportunity to take a deep breath and relax. Alternatively, the assessment of your personal finances may indicate that intervention is necessary, imperative, and should be undertaken as soon as possible. As President Lincoln implied, you will not know until you look.

The EXCEL personal finance spreadsheet below can be easily modified to meet your individual needs. The template and the notes are meant to facilitate your thinking about all the factors that are weighing on your current financial status. How you prioritize at a later point is based on how you value each factor. On that, only you and your family can decide. Later, we provide some pointers on what could be “best practices” as well as suggested “do’s and don’ts.”

For now, start with the basics of your current financial situation. You can do this in Excel or just use the template as a guide, using paper and a calculator. Regardless, you will need to gather some data. If you have an accountant or a professional tax advisor, you should consider asking them for your “general ledger” of income and expenses or your “chart of accounts”. At the very least, you will need your last few months of bank and credit card statements. How detailed you get is up to you, but the more information and effort you put in and document, the more informed your subsequent decisions can be.

[Personal Financial Assessment Spreadsheet](#)

## **Spreadsheet assessment of Business Finances**

Every practice obviously has a slightly different model. Only you, your business manager and/or accountant will know the cash inflow and the expenses each month. The line items here will go a long way toward assessing the overall health of your practice and what it can endure. Going forward, you will have to make decisions based the payor distributions and models. After gathering this data, this is the discussion you should have with your accountant.

Creating this data sheet may seem time intensive, but the information you put into each category will help not only to assist in the short term to weather current financial challenges, but also serve as a stimulus leading to the creation of a business plan budget. Although many do not have a financial background, surgeons are quick learners and adept at analyzing data.

## **[Business Financial Assessment Spreadsheet](#)**

### **Variables and Options to Consider Based on your Scenario**

As noted above, your options for financial course correction will vary depending on your individual practice situation, e.g. employed versus private/business practice as well as the state of your personal versus your business finances.

To help highlight the elements more likely to be under your influence, here are three common scenarios that will help you decide specific steps to take based upon your individual situation:

- 1)** Employed surgeon who either has or has not saved for a rainy day and suddenly loses employed status resulting in immediate personal cash flow problems.
- 2)** Surgeon in private practice who has minded personal finances, has a good retirement fund and adequate fund for an emergency. Because of COVID he/she suddenly finds the practice underwater with overhead and building (rent or ownership) expense. Thinking that this condition may last a while, it becomes evident that either the practice must close and reopen after declaration of business bankruptcy (NOT personal bankruptcy), OR the surgeon must make other long-term arrangements with their landlord and creditors.
- 3)** Surgeon in private practice, simply paid as they went for all sorts of things leaving the surgeon with little savings and a retirement fund that is woefully inadequate. COVID comes along. This surgeon wants to somehow fund his lifestyle as was done previously when all he could really do was just make payments on all the incurred debt. Even if the surgeon can work-out the business cash flow, there is very little remaining for their own living expenses and savings.

## SCENARIO #1:

*"Employed surgeon who either has or has not saved for a rainy day and suddenly loses employed status resulting in immediate personal cash flow problems."*

As an employed surgeon you do not have the additional concern of trying to manage a business. However, the COVID-19 emergency and response will likely have a detrimental impact on your personal finances. While being employed typically is seen as bringing security and predictability, in the current situation it may sometimes feel like it is limiting your options. The information below is intended to help you get a better understanding of your current situation and options.

### Situational factors:

- What is surgeon's current personal savings and ability to maintain financial solvency?
  - Do you have a budget?
  - How much in savings?
  - How much in retirement? Where is it?
  - What are monthly expenses?
    - Which are optional?
    - What can be delayed or eliminated?
  
- What is in the employment contract?
  - How much severance or lead time to termination?
    - At will termination probably will give 90 days.
    - For-cause termination: **consult your attorney.**
  - Status of malpractice tail
  - Non-compete clause

### Immediate concerns:

- Is this a furlough or termination?
- Re-do budget for only essential expenses
  - Do not miss insurance payments, including disability insurance.
    - Check about possibility of deferral of payments
  - Check availability of deferral of other expenses such as mortgage, installment payments etc.
  - Talk with your banker about suggested steps to take, including the possibility of short-term credit; hopefully you have a good relationship
  - Cancel memberships and subscriptions if you are not actively using them

- Meet with personal financial planner and your accountant/tax professional ASAP
- Should you tap into retirement now? Penalties are waived during pandemic
- Apply for unemployment
- Health insurance/COBRA
- Talk with attorney about contract clauses if necessary

#### **Long term concerns:**

- How long until re-employment?
  - Do you have to move out of town due to the job market?
  - Are there other job possibilities?
    - Competitors to your current employer
    - Non-surgical medical positions
    - Part-time surgical work
- Consider your mental and social health
- Family financial concerns
  - Saving or paying for college?
  - Supporting adult children?
  - Supporting or planning to support aging parents?

#### **SCENARIO #2:**

***Surgeon in private practice who has minded personal finances, has a good retirement fund and adequate fund for an emergency. Because of COVID he/she suddenly finds the practice underwater with overhead and building (rent or ownership) expense. Thinking that this condition may last a while, it becomes evident that either the practice must close and reopen after declaration of business bankruptcy (NOT personal bankruptcy), OR the surgeon must make other long-term arrangements with their landlord and creditors***

Your diligent planning means that, despite the difficult situation, you are starting from a good position to meet the challenges before you. Still, there are numerous things you can consider to both improve your practice's chances of emerging strong from the COVID-19 emergency. In addition, review your personal financial situation to tighten up any loose areas and reduce costs, using the guidance found in Scenarios #1 and #3.

#### **Situational factors:**

- Determine what your practice's cash flow needs are for the next year:

- Take your practice's annual receipts (income) and costs for the past two or three years (this assumes your practice has been relatively stable).
- Take the costs and divide them into the following large buckets:
  - Employee salaries
  - Your salary (including taxes, retirement contributions)
  - Rent, office building maintenance expenses, utilities, etc. essential for keeping the office open
  - Costs of billing, coding, transcription, EMR, other "business operations" of the office
  - Malpractice, disability, health, and life insurance paid from the office, and divided into two groups: your expenses and your employees' expenses
  - Other expenses (a large bucket for things not in the five categories above)- such as auto expense, CME costs, FACS dues, etc.
- Ask your accountant for your "general ledger" income and expenses or "chart of accounts" for your practice, which they use to record income and expenses into small piles, and then they use those sub-totals to then create your practice tax returns. This will give you a better granular look at your expenses (and various income streams) than your tax report.
- Divide those expenses into three "flavors" or "species" of costs:
  - fixed (ex: rent or loan payments)
  - periodic (ex: once a year dues or state medical license registration); or
  - variable (ex: medical supplies, building maintenance)

#### **Immediate concerns:**

- Armed with the assessment of your practice's financial situation talk to your CPA or accountant and get their advice
  - Most CPAs will have been through this type of scenario with other clients and can likely give you good advice about steps to take to avoid bankruptcy
- Determine which fixed, periodic and variable expenses can be eliminated or temporarily halted
- If this is not enough, you may need to make harder choices
  - Reduce employee hours or benefits (including health insurance, vacations, etc.)
  - Consider furloughs or elimination of certain positions
- Your local bank is often a great source of both advice and short-term business credit. This typically will allow you to get needed credit at a relatively good interest rate.
- You can also try the various credit cards for short term loans. However, the expenses on these are usually high. They also typically have penalties for late payment, etc. that are much higher than your local bank.

- You can talk with your bank and CPA also about loan consolidation, paying off any higher interest loans with one larger loan that is at a current more favorable interest rate.
- Your local hospital(s) may also be able to extend some financial help in the way of outright support, loans, etc. to help keep you in practice
- Explore federal financial support options, such as those detailed on the [Practice Protection Committee's Resource Document](#)
  - Determine if you received (or should have received) funds from the Public Health and Social Services Emergency Fund
    - If you did not, contact the CARES Provider Relief line: (866) 569-3522
    - If you did, be sure to complete the on-line attestation within the allotted time period
    - Submit the information needed to apply for additional funds through the second disbursement after you have completed the attestation
  - The Paycheck Protection Program provides potentially forgivable loans intended to keep businesses open and employees on payroll, apply through your local bank if funds are available
  - Economic Injury Disaster Loans (if still available) typically help businesses harmed by national disasters or other emergencies and have been made available through the SBA for the COVID-19 emergency
  - Monitor Bulletins from the American College of Surgeons for updates on possible renewal of the Medicare Advanced Payment Program or other available grants as they become available
- You should also take time to look at your own personal finances. Again, these should be separate from those expenses associated with your practice. Determine where expenses can be trimmed.
  - Consider deferring or refinancing student loans reduce current payments
  - talk with your creditors or landlords and see if you can work out a period of loan extension or reduced payments

**Long term concerns:**

- As you make tough decisions today, reflect on what changes might be necessary to help your practice if a similar event occurs in the future, take steps to make these changes
- **DO NOT** put your personal savings or personal pension or retirement funds at risk to maintain your professional corporation



### SCENARIO #3:

*Surgeon in private practice, simply paid as they went for all sorts of things leaving the surgeon with little savings and a retirement fund that is woefully inadequate. COVID comes along. This surgeon wants to somehow fund his lifestyle as was done previously when all he could really do was just make payments on all the incurred debt. Even if the surgeon can work-out his business cash flow, there is very little left for living expenses and savings*

Your profession and earning potential have until now afforded you the luxury of not having to worry about spending. Unfortunately, this has left you in a precarious situation due to the response needed to address this unprecedented circumstance. This means you may have fewer options and tougher decisions to make. In addition to the advice included in the scenarios above, additional steps will likely be necessary. If cash flow is insufficient to meet your needed expenses, further reflection and more extreme changes may be necessary to secure your long-term financial health, and the survival of your practice.

#### Situational factors:

- Assess your largest expenses that are of primary importance. These are usually house, cars, education.
- Assess your expected income changes including change in practice mode or location
- Estimate the time necessary to make necessary changes to create neutral or positive cash flow.
- Re-examine financial goals and values.

#### Immediate concerns:

- Identify professional resources
  - accountant
  - law firm
  - bank *and* bank officer
- **Consider personal bankruptcy only with the advice of a qualified professional**
- Take necessary action for subscription services. Reduced or eliminate (either temporarily or permanently). Examples include cable, phone, internet services.
- Delay or cancel trips/ near future expenses. Examples include unnecessary travel and home renovations or repairs of a non-essential nature. Ultimately, it may be less expensive to cancel than to incur additional future expense.
- Rescale anticipated expenses. Examples include buying used, undertaking projects yourself, reducing the scope of wedding or anniversary celebrations and gifts.
- Reassess education spending. For example, public versus private schools, in-state college/university versus private/out of state institutions, gap years rather than immediate matriculation to college or graduate school.

### **Long term concerns:**

- Take decisive action once immediate cash flow is remedied to prevent recurrence of negative cash flow.
  - Can change in income and expenses create stable positive cash flow?
  - Start a disciplined savings plan with the goal of having enough liquid assets to meet six month's expenses to hedge against another emergency in the future.
- Make long term career plan
  - Anticipated retirement
  - Change of location
  - Re-training or additional professional career practice at a hospital slightly farther away with better payer mix, becoming employed for a short period of time to amass adequate capital to restart business/private practice.
  - Consider joining another group. Focus on a new practice area needed in the community such as wound care or vein disease. Consider additional education such as MBA training to create an additional area of expertise.

## **GOAL ASSESSMENT**

As the Practice Protection Committee considered how to relate the information contained in this document to Fellows, the analogy to the performance of an emergent laparotomy for trauma recurrently came up in the discussion.

By reading this far into the document, you will have been able to determine your own state of emergency. Further, the section on Variables and Options immediately above has provided the necessary knowledge and tools to “pack the abdomen” and facilitate your own “catching up” to the status of your financial situation.

As you begin to “peel back the packs” and come to understand where the problems lay, you will be in the position to begin the process of determining what your immediate, intermediate and long-term goals should be. Below are some suggestions for your Immediate, Intermediate and Long-term goals as you embark upon that process.

### **Immediate goals:**

Using the spreadsheet exercise, examine your budget and cash flow and establish a rational prioritization of your expenses.

Specific to your individual circumstances, prepare an action plan for future intermediate and long-term goals. Prioritize with the over-arching goal of preserving your personal assets.

### **Intermediate goals:**

Maintain your critical expenses, such as insurance, and do not withdraw funds allocated for retirement savings. Adjust spending on non-critical items in a manner consistent with a realistic expectation of your future earnings.

For those in business/private practice, assess the sustainability of your current practice model.

### **Long-term goals:**

Have in depth discussions with your spouse, partner and family **AND** your tax professional, attorney and financial advisor. Plan a clear forward trajectory for personal recovery to include your individual income, savings and retirement trajectory.

Make all adjustments necessary in discretionary spending to maintain that trajectory.

### **Deliberate and Informed Next Steps**

Congratulations on taking the first of many steps that likely will be necessary to recover from the circumstances imposed by the pandemic. By taking the time to honestly and objectively assess your situation you have clearly demonstrated your willingness to do what is necessary to IMPROVE, ADAPT, and OVERCOME.

You may be appropriately now asking, “What’s next?”

Much as everyone’s individual financial circumstances are different, your individual plan of action going forward should also be adapted to your specific situation and needs. Equipped with the information you have gathered by undertaking the process outlined in this document, you are now very well equipped to do what you as a surgeon do best .... Use that data to make a plan to remedy the issue at hand. Every surgeon’s situation will be unique, and you should take some time to be deliberative and think through your options.

After you have an opportunity to process all the information, (and consistent with what was recommended at the outset in the section on Principles), we would encourage you to seek professional assistance from those whose job it is to provide the type of expertise that you need. Just as surgeons are sought for their expert advice on matters related to surgical disease, tax advisors, financial advisors and attorneys should be sought for counsel relative to their own areas. Again, it will be money well spent.

For some, this all may seem to simply be overwhelming. You should accept that you may feel that way. Life as we previously knew it has been abruptly and dramatically disrupted. The

Division of Member Services has developed resources specifically for this purpose. Those resources can be [accessed here](#).

In conclusion, we sincerely hope that you have found this document and the exercise purposeful and useful. If so, we encourage you to share it with your colleagues who may have expressed their own concerns to you in private conversation.

And always remember, you are not alone.