

Business

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Partnership or corporation: Making the call

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Question *Our practice is a hospital-based physician group planning to leave the hospital system to start a private practice. We are struggling with the choice of legal structure for our practice. Could you give us advice on which type of business entity we should form?*

Answer YOUR PRACTICE HAS SEVERAL choices available to you. The legal entity you choose would depend on the flexibility and limitations of those legal structures, and the income tax characteristics of each. Below is a summary of the different types of legal entities available and some of the

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advantages and disadvantages of each.

The choices available to most practices are the corporation, the partnership and the limited liability company (or partnership). Some states also allow a single-member limited liability company.

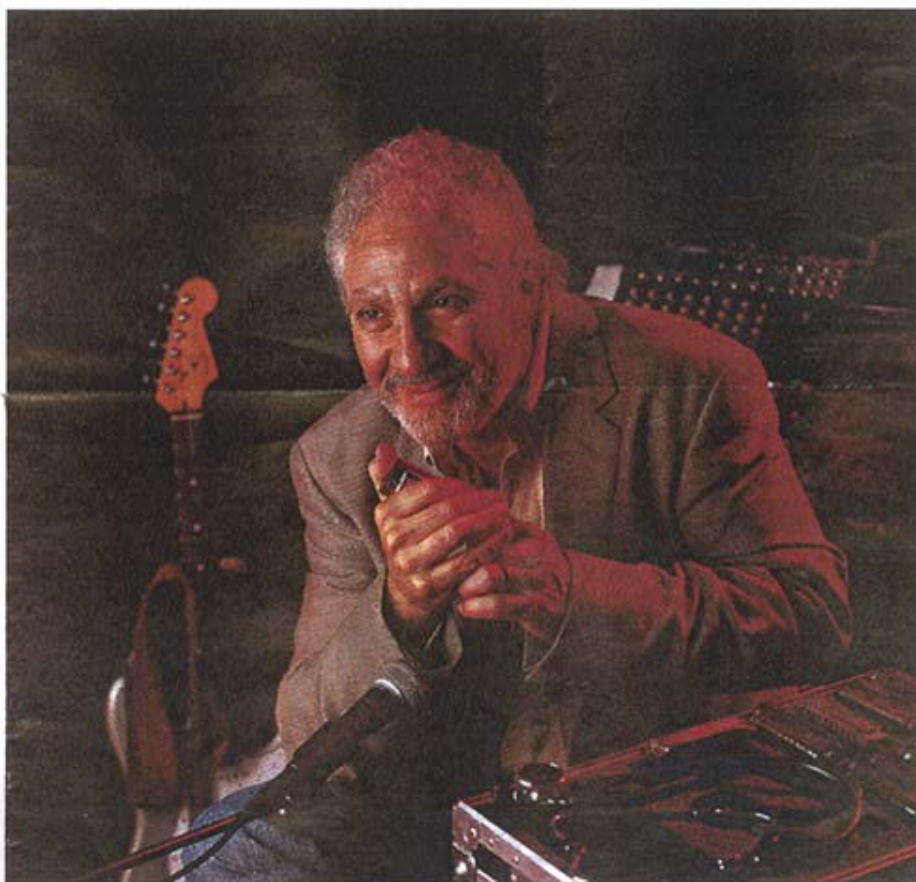
All of these legal structures provide protection from legal suits outside of those connected with medical malpractice. Which entity you choose will determine how your practice reports the practice's income tax information to the government. (For our purposes we will discuss only the federal government reporting.)

If you choose the corporate structure, the IRS allows two types of tax reporting, as a C-corporation or as an S-corporation.

A C-corporation reports its annual activity to the government, and if there is a tax liability, the corporation pays the tax. The IRS categorizes a C-corporation medical practice as a personal service corporation. The IRS taxes any profit of a PSC at 35%.

In your case, if profits were left in the corporation at year-end, the corporation would pay a 35% tax on that profit. In the next year, when the physicians paid that profit to themselves in the form of a salary, it would be taxed again to the physicians,

HMO BASHING for fun and profit



SAM BIERSTOCK, MD, lampoons HMOs with his "multispecialty integrated musical delivery system."

Might the road to riches be paved with HMOs? Not likely. At least not for doctors.

But while many physicians blame managed care for losses of income and an increase in practice restrictions, some are poking fun at HMOs in hopes of putting a smile on their colleagues' faces and perhaps a little jingle in their own pockets.

Their mission: Target managed care, with a touch of humor.

BAND OF DRUTHERS

THOSE LOW FEE SCHEDULES, THAT RED tape and those denials from HMOs might be grating on the nerves of physicians, but the topic can be music to the ears of Sam Bierstock, MD.

He went way against the grain by striking up the band for managed care — sort of.

The Delray Beach, Fla., harmonicologist, as he calls himself (he's really an ophthalmologist), formed Dr. Sam and the Managed Care Blues Band. It's not just a band, it's a "Multispecialty Inte-

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HMO BASHING

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grated Musical Delivery System," as Dr. Sam puts it on his Web site (<http://www.managedmusic.com/>).

He speaks and plays at conventions, mostly medical.

And he's released two CDs, one actually a supplement to the first. By mail, the CDs are free, with a \$14.95 co-payment.

His song selection is a mixture of parodies and original music. The lyrics are satirical.

Song titles include "You Picked a Fine Time to Leave Me Blue Shield," "You're One-Hip Mama ('Cause They Won't Pay for Two)" and "Sorry Man But Your Bypass Is Considered Cosmetic."

"I started doing this as a way to make a political statement," said Dr. Sam, who began performing the lampoons in 1996. "We make it a point to keep everything very light and humorous. Not heavy."

One member of Congress, Iowa's Republican Rep. Greg Ganske, MD, ordered 535 copies in 1997 and gave one to each senator and representative.

DR SAM SAYS

"... Now I'm feeling for you baby cause you're hurting in your thigh
They ought to fix you Baby cause your limping makes me cry
But they just keeping saying that their costs will be too high..."

FROM THE TRACK "YOU'RE ONE-HIP MAMA ('CAUSE THEY WON'T PAY FOR TWO)" OFF THE CD MINIMAL SERVICE - CPT 99211

With almost 20,000 CDs sold, Dr. Sam is still at it, although his convention schedule has been light recently because of cancellations after the Sept. 11 terrorist attacks.

Usually working with four or five musicians, Dr. Sam is the band's constant and writes the lyrics. The band has played in about 40 states. At its most active, it played four to six shows a month.

Dr. Sam also writes a monthly feature for the *Kentucky Medical News* in exchange for publicity.

As Dr. Bierstock, he practiced ophthalmology for about 15 years in New York before a shoulder injury forced him out of surgery and into consulting.

Until recently, the performances have been his main source of income. In September, he took a job with a hospital software company that has him working with doctors in implementing computer systems.

"We got attention by using humor in music and keeping it very noninflammatory. I have never taken the approach of pointing the finger," he said.

PICK A CARD

LAWRENCE HUNTOON, MD, PHD, WANTS to get into your wallet. He sells mock HMO cards. But instead of providing a member number, these low-cost plastic cards lampoon services under managed care systems.

The "WEDONT CARE HMO" card advises the cardholder "that in order to save costs and maintain high HMO profits, Holder may have to forgo diagnostic procedures or treatments that are deemed to be too expensive ('medically unnecessary') by the HMO company."

He figures it's a way to educate.

"It comes very close to the way most HMOs operate," said Dr. Huntoon, who also has compiled a book of managed care cartoons, called *Huntoon Lampoons: The Managed Care Collection*. He's distributed more than 10,000 cards across the country since 1996.

"I saw managed care spreading and I saw the ethical conflict being posed to the physicians, and I thought something was needed," Dr. Huntoon said.

His main buyers are fellow physicians. Twenty-five cards go for \$20, 50 go for \$32 and 100 go for \$50, plus \$4 shipping and handling. He says a managed care company executive even bought 100 of them.

He promotes the cards through such groups as the American Assn. of Physicians and Surgeons, whose publication he's advertised in.

He gives some to his patients. "They look at them and get a chuckle," he said.

It's not a huge moneymaker. "This is not anything that I'm getting rich off of," he said. "We try to cover our cost."

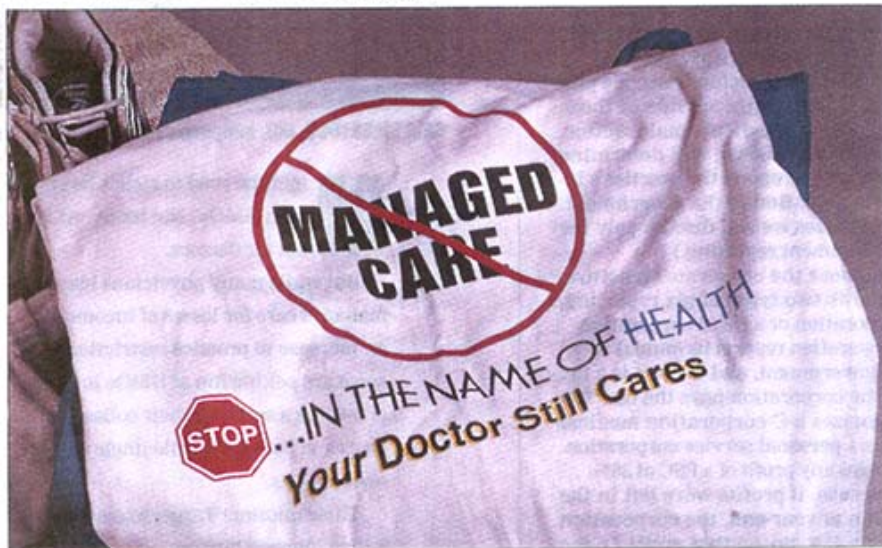
Dr. Huntoon gets a few inquiries a week about the "WEDONT CARE HMO" cards. "Our goal is mainly to educate the public and physician colleagues as to the dangers of mangled care," he said. "It's very simple and gets the point across. And that's what we want to do: Get the truth out."

Practicing since 1986, the Jamestown, N.Y., neurologist doesn't participate in HMOs. Never has.

"I consider it professionally unethical to do that," he said. "I don't think it's right for physicians to sign managed care contracts whereby they agree that the less care they provide, the more profit they make."

THE SHIRT ON YOUR BACK

WHILE SOME COLLEAGUES GRIPE ABOUT losing their shirts to managed care, Jerry Graff, MD, is pushing his off on physicians and patients.



JERRY GRAFF, MD, says his shirts show how "unpleasant" HMOs have made practicing medicine.



PHOTO BY TED GRUZZINSKI
LAWRENCE HUNTOON, MD, PHD, sells mock HMO cards. The card holder "may have to forgo diagnostic procedures or treatments that are deemed to be too expensive ('medically unnecessary') by the HMO."

The Westfield, N.J., dermatologist sells anti-HMO T-shirts.

Sure, it's kind of the equivalent of a lemonade stand in terms of health-related business ventures. But Dr. Graff had a plan.

"I'd been fishing to find marketable ideas to have sort of a side thing to make some money to get out of medicine someday," he said. "Most things sort of take a significant investment to make them work out."

He's put about \$1,000 into the venture. The shirts are \$15 each, plus shipping.

"I enjoy practicing. I don't enjoy what managed care has done to the practice of medicine or what it has done to the doctor-patient relationship," Dr. Graff said.

With no time or money to spend at medical conventions to sell the shirts, he sends some with peers who attend the events.

He's been practicing for 26 years and selling the shirts for about five.

"I have covered my costs, but I doubt that I've made any significant profit," Dr. Graff said.

"I didn't expect to sell 12 million T-shirts and pocket a bundle of money. It's a fun idea to show how unpleasant managed care has made practicing medicine."

"I just thought if I could go to medical meetings where doctors are relaxed and away from their tensions, they'd pull out \$15 to make a statement," he added. "But I didn't have the time or travel expenses to go to meetings and get in front of doctors."

"The practical side of marketing really wasn't there." ♦

PHOTO BY TED GRUZZINSKI