

The Emeritus Partner

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One of the most misunderstood areas of transitions planning is the design for the departure of the selling/senior doctor. The problem is exacerbated by *brokers*; who are only interested in closing the deal and collecting their commission. The future success of the buyer and/or partners is irrelevant.

One of the most common mistakes that we see, is the selling doctor staying in the practice as an associate.

Typically, the selling doctor is working back in the practice as an associate and pursuant to an employment agreement. The fallacy is, that employment agreements are iron-clad; they aren't!

I can tell you dozens of stories, where the selling doctor plans on working in the practice for several years and, for some unpredicted reason, there is a disagreement and the new owner fires the senior doctor.

The fact is, that unless you're a major league athlete, your employment agreement is NOT iron-clad. The courts are loathe to enforce employment agreements beyond a couple of years.

The solution that we developed is the "Emeritus Partner"; which allows the exiting partner to retain a small ownership interest in the practice (say, 5-10%) and so cannot be summarily dismissed. When the senior partner finally exits; he simply sells the minority interest back to the younger owners.

This is a true win-win. The younger partners want the older doctor to be invested in the practice and continuing to add value. The older doctor wants to have a place to practice and earn money for several years.

In a typical transition, the junior doctor may purchase a 50% interest in the practice and then the doctors operate as partners for several years. Eventually, another doctor comes aboard as a new partner and buys the senior doctor's half. Another scenario has the junior doctor buying the second half from his partner and bringing in an associate at a later time. Either way, there may be a senior doctor working back as an associate.

This makes good sense. We want to retain the goodwill of the senior doctor and so have him/her associated with the practice. The selling/senior doctor may have planned on working for a few more years and this is part of the economic freedom plan.

This is why the mistakes made by brokers, or lawyers and accountants, who don't really specialize in the area, can be very dangerous.

This type of planning is best done at the front-end of the transition design; not at the end.

When we design a transition, we plan for the buy-in; but we also lay out the exit strategies for all of the partner/owners. This is true, whether it's a departure by retirement, death, disability, or disagreement.

