Are Associateships Failing Podiatry Graduates?

By Michael Rosenblatt, DPM

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We all looked forward to our graduation from residency, when we would have the opportunity to enter the world of employment and earn the fruits of our long, difficult academic career. The dream of a whole generation of previous podiatry graduates has evaporated. It used to be possible for podiatrists to open up a practice by themselves, perhaps suffer a period of low patient volume, but eventually thrive. Low cost education gave them respite.

Bernard Egerter, DSC was an ardent supporter of podiatry and used his practice management expertise to try to teach us about the practice world. His practice (according to rumor) was legendary in both volume and production. Dr. Egerter entered chiropody just after WWII, when a new population of young professionals was burgeoning to provide a whole range of services to returning war veterans and their families.

Podiatry, then, was mostly routine foot care, arch supports, strapping and padding and of course, cutting nails. This was interspersed with occasional orthopedic examination, treatment of children and taking lots of x-rays. Education costs were minimal, even in those days when podiatry expanded to a four-year curriculum.

The G.I. Bill: Revolutionizing Chiropody

The G.I. Bill was signed into law by Franklin Roosevelt even before WWII ended. It revolutionized education as we know it. The law provided these benefits to returning soldiers:

* education and training opportunities
* loan guarantees for a home, farm, or business
* job-finding assistance
* unemployment pay of $20 per week for up to 52 weeks if the veteran couldn't find a job
* priority for building materials for Veterans Administration Hospitals.

Prior to this time, anyone without the financial ability to go to college found it almost impossible. WWII veterans were entitled to one year of full-time training plus time equal to their military service, up to 48 months. The Veterans

Administration paid the university, trade school, or employer up to $500 per year for tuition, books, fees and other training costs. Veterans also received a small living allowance while they were in school. For those veterans entering podiatry school, this was a boon. It was also a boon to the profession. It provided a much larger influx of new students than the profession had ever seen. The G.I. Bill ushered in a rebirth of podiatry.

Emulating Medical Doctors

Even during the early years of chiropody training, medical doctors were a large percentage of the instructors and professors at podiatry colleges. It was a natural progression to emulate teachers and make efforts to become more medically "professional."

The complications of diabetes were also a serious problem then, and early chiropodists made a great contribution to the healthcare of those individuals. Elliott Proctor Joslin, M.D., one of the world's truly great physicians, was one of the first to recognize and codify the value of podiatry, and was one of its earliest and strongest advocates.

Dr. Joslin believed in a truly multi-disciplinary approach to diabetes care and research, a model that still has the same validity today. During that time, podiatrists worked closely with nurses, medical doctors, dieticians, orthotists and others who had an abiding interest to protect diabetic patients from dreaded complications. It is important to recognize the vital support and benefits that the allopathic profession has provided to podiatrists throughout their history together.

Turning to Surgery

It was inevitable that podiatry would turn to surgery. The first procedures performed by podiatrists were ingrown nail operations, and early podiatric practice and research contributed to the best model of surgery for that condition.

The podiatry profession can be justifiably proud of this contribution to the health of the world's population. Extending that pattern, Earl Kaplan, DSC who practiced in Detroit, Raymond Suppan, DSC and a select group of other far-thinking podiatrists expanded and taught podiatric surgery to a large number of podiatry graduates through seminars and new internships.

This changed the practice of podiatry. Those early contributors to the profession had every intention of doing so. It was still possible to achieve a podiatry education at a reasonable price. Student loans were starting out, which also served as a boon to the profession, allowing more people with limited resources to become podiatrists.

Student Loans: The Eruption of Expensive Education

Student loans are a cultural phenomenon. They had society-changing effects on the American population. The impact almost cannot be overstated. On October 4th 1957, when Russians first orbited Sputnik, this was a body-blow to American politicians. If Russians had the skills to place a satellite in orbit, surely they could also place nuclear weapons over us. We were desperately concerned about how far we were falling behind, and with that, risks to our very survival.

Originally student loans were put in effect to foster science and engineering education. However, that expanded quickly as other disciplines wanted their "fair share" of those student moneys. Eventually you could get student loans for everything from engineering to liberal arts and, of course, podiatry. With the availability of student loans, educators found a new wealth of money flowing into their coffers. Universities got bigger and some got so prosperous that they became large, multinational corporations.

It's a little hard to evaluate the effects of student loans, but one effect they had, besides making it possible for almost everyone to attend college…was to start geometric increases in the cost of education. This has continued. It is possible to spend over 100,000 dollars to become an elementary school teacher. It is also possible to spend well over 200,000 dollars to become a podiatrist.

Expensive Student Loans

Most student loans in the healthcare curriculum provide a one-year respite from making payments after residency graduation. This time is provided to allow graduates to "cement their income producing abilities" and prepare to pay back their loans. Interest still accumulates and is added to the base of the loan amount. The "magic" of compound interest is "confounding" to all of those who see it from the expense side.

Any long, expensive educational project entails the same basic demands at academic completion. Graduates must start paying back their student loans starting on the 13th month after completion of their formal academic training. Occasionally, some graduates are billed incorrectly. Rather than avoiding this bill, it is essential that graduates pay it, and inform their student loan administrators of the mistake, in writing.

By far, the greatest impact (if you use defaulted loans as a thermometer) is to the chiropractic profession which leads the list of defaulters. Podiatry is presently 4th in line. But even allopathic colleges and their students have been affected. We would assume that those would also include some students who withdrew prior to completion of their academic studies.

The student loan burden is a monster on the back of nearly all students who choose a long-term education. One of the main reasons many in podiatry favor the combined MD/DO/DPM degree is clearly to expand post-graduate employment opportunities.

The sad "secret" of the DPM degree is that it is undervalued by outside venues. "What is not understood is devalued." This has haunted podiatrists throughout their history. Patients are fortunately not included in this category. But insurers, auditors, government, legislators and other non-DPM practitioners often devalue podiatry degrees. One place podiatry is not devalued is in the legal profession. Podiatrists are fully responsible for themselves in the legal spotlight of patient care.

Necessity for Immediate Income

There is a need for all graduates in large debt to obtain immediate, substantial income to start paying back college loans. This applies to psychologists, scientists, Ph.D. graduates, and yes, even lawyers. The reality of negative amortization hits everyone who takes out loans and does not pay them back in a timely fashion. The recent U.S. sub-prime real-estate lending market collapse is just another expression of this same phenomenon. Even small loans neglected over a long period of time become large ones. People who over-use credit cards to finance their lives see the same results. This is not new.

Associates positions: a crap shoot?

Associateships can work. The main problem is that when students graduate, they are in such a fragile financial condition that they lose flexibility of time, which ordinarily permits us all to recover from a mistake.

Potential associates face an immediate disadvantage when applying to an experienced colleague for a job. Very few have economic or accounting training. None has ever seen an associate contract. The entreprenuerial podiatrist is understandably unwilling to allow the "new upstart" to take a large percentage of their combined income. Somebody had to FRONT the money and risk to open the practice.

New graduates are faced with the reality that somebody had to pay for office facilities, employees, instruments, rent, etc. This is a very long, expensive list. New podiatrists can't work in a closet. Even if the new graduate obtains a posh job at a large multi-specialty group practice, "someone else" paid to put those facilities there.

The first years of a podiatry associateship are frought with risks. If things don't go "well" early on, the podiatrist and his/her family might end up on the loan default list. It is surprising and a tribute to new graduates that more do not. At this writing, lenders are owed over 14 million dollars in defaulted podiatry debt. This is not a small number. Defaulted debt is only the tip of the iceberg, a painful harbinger of economic disaster.

New associates might be expected to be "rain-makers" for the practice, bringing in new patients as well as procedures. This entails community outreach, with speeches and presentations to groups, extolling the practice. Some associates might not be comfortable with this, feeling (to some extent correctly) that they are not really adding to their own practice.

Sometimes, eagerly anticipated income growth from a new associate fails to occur. The reasons may be many and varied, from "inexperience" in practice management of the new hire, to loss of an insurance panel, a retreating economy and the presence of a new orthopedic foot and ankle surgeon in the community, sapping referrals. The new associate is "out" before really starting.

How Are Young Podiatry Associates Treated?

Some are treated with honor and respect by those senior podiatrists who recognize their new skills and value them as professionals and people. Those are the lucky ones. But underneath the patina of supposed happiness and professional satisfaction, there are dysfunctional "marriages" between employer and employee. As an outside observer, you probably cannot easily identify those individuals, who after two years have been denied deserved raises and are about to be terminated by their employer. Then, their employer simply puts an ad in for another associate, whom one can also underpay and terminate when the associate asks for a raise. Young podiatry graduates cannot easily afford lawyers to have contracts examined. If they balk, they can be replaced by new graduates, waiting in the wings.

Had Dr. Bernard Egerter graduated now, he too would have substantial college debts. That said, there are some podiatry graduates who lived very cheaply as students and carefully avoided debt. Our hats are off to them! A small number of others have family resources to front their education and practice opening.

Reluctance to Purchase a Practice

Because graduate podiatrists have such large college loans, they experience an antipathy bordering on mania not to take on additional debt. This is understandable, but ignores the reality of supply and demand. Doctors who are preparing to sell their practices have a completely different outlook than those who are looking for employees. There is opportunity here. The larger number of boomer podiatrists looking to sell and retire greatly increases potential selection. There may be some great bargains out there! When you purchase a practice, you take yourself off the "associate treadmill."

It's all about INCOME STREAM. Most people who have purchased practices will tell you that dependable income allowed them to live the life they had intended and expected. Income dependability contributes enormously to stable family life.

This is our history. It is the original income model for podiatry. Thousands of podiatrists have supported their families, paid off loans, sent children to college, purchased automobiles and retired with good residual income based upon practice purchase. Are you listening to the voice of the past?

Fired After Two Years or Less

Most residency graduates covet a job with a large multispecialty practice, ready to offer a nice contract with good pay and great benefits. While the number of such positions is increasing, not every resident will obtain them. And openings may not coincide with your graduation.

Most graduate residents "struggle" to obtain an associateship. They may be relegated to treatment "mills" where pay is minimal and respect, even less. Being fired or separated after just two years can be a disaster. If you insist on associateship:

1. Don't buy a home, rent instead, giving you mobility if you're fired or laid off. Find rentals that allow for month-to-month, if possible. They cost more and are in poorer neighborhoods, but may suit your needs better until you have passed the two-year mark with your employer. But remember, no associateship is "written in stone."
2. Make sure you are paid up-to-date on your student loans, even if mistakenly billed. Be sure to advise your student loan administrators of your status, and routinely check with them to make sure they get your payments and are aware of your status.
3. Take immersion Spanish courses and pay a Hispanic family to force you to practice the language. HMO's look for bilingual professionals. Even if your Spanish is rudimentary, you may get the position over an equally qualified applicant without it.
4. Look for "older podiatrists" or ones who are considering selling their practices or cutting back on their hours, since those doctors might offer you more "favorable" associate

contracts. Find out if your employer has an "associate revolving door" history. You may be next…

5. Work consistently on obtaining your Boards while employed.
6. Learn everything you can about practice management, coding, skills, and good-paying procedures (not necessarily surgery) while you are employed. You may have thought you were "finished" with your education after you graduated. You're just starting!
7. Don't take your employer for granted. If asked, go to nursing homes and trim nails, and do so gracefully.
8. Time your requests for raises carefully. Be prepared to be fired when you ask. Have a plan in place before you ask for raises, even if well deserved. Even "nice" employers must follow laws of supply and demand.
9. Avoid buying consumer products which you will have to pay to move after you're separated.
10. Never disclose your plans to anyone other than your spouse, and swear him/her to secrecy. Your employer should never know your plans.
11. While you are employed, consistently make applications to group practices, even those that refused you just after you graduated, especially if you now have your Boards. There may be an opening! When you leave, do so gracefully and thank your employer. Give adequate and fair notice.
12. Keep your name up with a practice broker (secretly), and always keep apprised of new practice purchase opportunities in geographic areas close to you. Moving and relocation costs are far less and it's much more convenient to stay in the same state. You may need to contact an attorney if there is a chance that your new opportunity conflicts with an existing geographic non-compete agreement. In recent years, the courts have sided against these covenants.
13. Make it a goal to have your Boards within six years. As you get older, it will only get harder. Always take Board review courses and use your computer to help prepare you. There are some excellent programs available.
14. Plan on being fired or laid off. Your goal is to look at associateship as temporary, unless you have signed to purchase the practice. Beware of being "put-off" by your employer for signing purchase contracts. Being put-off is the same as saying "no." If they're not ready, it's time to go to different pastures. If you become too "comfortable" without a plan, you will be caught off-guard. If that happens, you have only yourself to blame. Try to save a slush fund for spending and travel money for about four months.
15. Stay on good terms with your previous employer. You may not have been treated well or fairly by your standards. Laws of supply and demand are not always fair. In evaluating practices

to purchase, try to find one that has a Medicare-Certified Surgical Center as part of it. Combined practice and ASC income can rival orthopedist salaries.

16. If you're not a surgical podiatrist, be careful of home and nursing-home based businesses. Often their billings are "inappropriate" and may place you in a dangerous legal position. If you work for one of these organizations, always ask to see copies of the billings, even if they are not billed in your name. Do due-diligence on evaluating these companies before you sign up. Ask them how they fared in their recent audits. You have a right to know.

17. You have options. If you lived frugally and are up on your student loans, you may be able to take a loan and open your own practice "not too far" from your ex-employer. Use caution. You need legal advice, especially if you live in a state where geographic restrictive covenants are still enforced. If you've learned practice management well, you might do fine, even with fewer patients at the start. Life is short. You may develop a life-long enemy. If you precipitate a lawsuit, you will have to pay to defend against it. Your professional liability insurance will not cover it. But this is still a free country with great opportunities for entrepreneurs. The laws of supply and demand can work in your favor too.

18. Always be watchful of inappropriate billings issued in your employer's practice, even if they are not in your name. Your gut may or may not give you warning signs. Be prepared to leave immediately when and if you see them. As an associate, you are in line for both audit and prosecution. Government does not differentiate your employee status from that of your employer. Your employer will not pay your legal defense fees.

Non-Compete Clauses

The associate contract that you are offered will be prepared by an attorney who does not represent you. While there are certainly "standard" forms on such contracts, they can vary considerably. You have probably never seen one before, much less have any experience in judging them.

As a recent (poor) graduate, you are not in a position to repeatedly hire attorneys. Almost all contain "geographic non-compete clauses" which is coming under scrutiny in many states. Some states outlaw them. Others have no restrictions. What these mean is that after you leave your employer, you cannot practice within a "defined" distance from them for a specific period of time. This may become a problem if you have a great opportunity to purchase another local practice.

You can be assured that the contract you are offered will favor your employer's position. In order to achieve any form of parity, you must seek experienced legal counsel. You should go to attorneys who have worked with the podiatry profession, if possible. They often have a clearer picture of the legal status in your community. Ask them about their fees first. You have a right to know. Local attorneys who work for your association will often provide you with good advice and will probably not over-charge, since they want a "continuing" relationship with local podiatrists.

There are some real advantages to "model contracts." These would expedite the process of associate placement after graduation, and generally reduce legal costs. Attorneys don't like them because they feel they don't really provide adequate protections to their clients. While this is true to some extent, model contracts often reduce legal costs and still do an excellent job of protecting interests. This is not brain surgery. There is a huge litigation history of associate contracts that go back hundreds of years. Model contracts should be able to properly identify and solve many of the risks to both sides.

Model Associate Contracts

Medical Mavin, Ltd. a practice broker with over 20 years experience in helping podiatrists buy, sell, and find associates has a hybrid associate model contract called Independent Doctors™. This hybrid model offers some well defined protections for both sides of the table. This contract is copyrighted and protected against disclosure.

An additional advantage of Independent Doctor™ is that even those with defaulted student loans can enter into such contracts with no money down, to purchase shares in a practice.

I would like to see more choices available for model contracts. Money is well spent hiring an attorney when you are signing something that has enormous impact on your future. Having model contracts available would allow young graduates the opportunity to learn the reality of associateship. Knowledge is power. After reflecting upon them, the young doctor may decide to avoid associateship and purchase a practice instead…

Has associateship damaged the profession?

The answer is clearly yes. There may be other explanations on why podiatrists owe more than 14 million dollars in defaulted loans. But failed associateships, poor or no planning, inexperienced individuals and improper money management have all contributed to this scandal. Laws of supply and demand don't usually favor those who are too poor to look out for their own interests.

Podiatrists can't compete in any market except that created by the profession itself. I believe the profession has an obligation to allow its newest members to see the risks of associateship. I think those dangers can be mitigated if new hires look at associateship as a "transition" phase. I'd suggest giving the "associate mill" a brief try, say six months. If no decent associateship materializes, and no well-established multi-specialty group opens their arms to you, follow the advice of Tony Soprano: "Fogetaboutit" and purchase a practice. You'll avoid much heartache and be on the way to building your estate. The history of our profession is speaking to you from its past. If you are a returning veteran, be sure to look into government employment for podiatrists. You deserve every opportunity to obtain those positions.

At the very least, we can do more to educate graduating residents on the perils of associateship. Model contracts might help. 14 million dollars in loan default is too much. There is great tragedy behind those numbers: failed marriages, depression, guilt, personal inadequacy, and worse, loss of opportunity.

Opportunities for podiatrists have never been better, with baby-boomer podiatrists looking to sell their practices and groom associates to take them over. Even those who have gone into loan-default have the option of selecting a hybrid-associate contract through Medical Mavin, Ltd. The mere "listing" of practice and associate opportunities in journals and publications, while historically available, is not enough. The "open-market" policy of supply and demand, without guidance, has failed our profession.

Residency directors, who spend many hours building and maintaining excellent programs, are not completely to blame. A "clearinghouse" concept might be a better method of helping to train and provide direction to a group of young people entering the profession. On the first day of podiatry school, we all had nascent dreams and goals. Some of us did not achieve them and were left with enormous debt burdens. We can do better.

Note: This article is not intended nor directed to give legal advice. You should always seek the advice of a competent, licensed attorney prior to signing any documents.