President’s Message

Paul C. Collins, MD

What a wonderful meeting and time we all had in Hawaii on the big island this year!

Dr. Val Lewis organized a tremendous meeting, and for the first year created concurrent sessions for physician assistants. We had 26 PAs attend the general meeting, in addition to participating in focused PA training sessions. Kristi Posey, PA-C organized the meeting for them and this will be repeated next year.

The meeting this year covered the whole range of orthopaedic issues, as well as political concerns. The noon lunch presentations also added to our experience so that our days had family and fun time in the afternoon. We had 284 physicians, 26 physician assistants, and 217 other participants— a new record.

Part of the meeting which was particularly significant was the resident award winners. They brought cutting edge technology and assessments from which we all benefitted. The awards were:

**Lloyd Taylor Award**
Megan Kuba, MD

**Vernon Thompson Award**
Jared Niska, MD

**Harold and Nancy Willingham Award**
Duy Phan, MD

**Sanford and Darlene Anzel Award**
Joseph W. Galvin, DO

**WOA/OREF Resident/Fellow Awards**
Seth H. Criner, DO
Michael Githens, MD
Natalie L. Leong, MD

One very valuable aspect of the Western Orthopaedic Association membership has been the Maintenance of Certification (MOC) program which makes earning ongoing certification as easy as it can be. For WOA members, this program is an included benefit. We realize maintaining certification can be demanding, and participation in this system makes the process as smooth as possible.

We invite you to submit one or more abstracts for the meeting, as this is an excellent opportunity to present research to your peers. The submission deadline is January 26, 2015. Abstract applications may be submitted online through the WOA’s web site. Visit us at www.woa-assn.org and click on the “Call for Abstracts” link.

We look forward to receiving your abstract(s) and to seeing you in Coeur d’Alene next year.

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**In Memory**

**Meet WOA’s New Board Members**

**Upcoming WOA Meetings**

**Recap of the 78th Annual Meeting**

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**Congratulations to the 2014 Award Winners**

**Thank You Annual Meeting Grantors and Exhibitors**

**Money Matters**
President’s Message continued


Next year we are planning the WOA meeting in the beautiful city of Coeur d’Alene!

Please take a look at the resort online at www.cdaresort.com and put the meeting on your calendar for July 29th through August 1st, 2015. Payam Tabrizi, MD has already organized an in depth program that will make your educational experience as good as your personal and family time. There will be more on this coming forward!

Sincerely,

Paul C. Collins, MD
President
Western Orthopaedic Association

In Memory of Stuart K. Wakatsuki

Stuart Kazuo Wakatsuki, 48, of Kailua, an orthopedic surgeon has passed. He is survived by wife Melissa; sons Perry and Brady Wakatsuki, Michael Hedin and Alex Gillis; daughters Dany Deanda and Katelind Hedin; mother Irene; sisters Janie Karp and Cora Jim On; and a grandchild. The family held a private service.

Dr. Wakatsuki was the 2009 WOA Program Chair. He was born and raised in Hawaii. He graduated from St. Louis University School of Medicine, did his surgical internship at the University of California, Davis Medical Center, and then went on to complete his orthopaedic residency at the University of Missouri, Kansas City. He subsequently completed a foot and ankle fellowship under the direction of Keith Wapner, MD and Paul Hecht, MD in Philadelphia. He returned to Hawaii in 1997 to begin practice with the group now known as the Windward Orthopaedic Group. He was an assistant clinical professor at the University of Hawaii Residency Training Program. He has been President of the Hawaii Orthopaedic Association. He also volunteered to take care of the Kailua High School Athletic Program. In his free time, he enjoyed golf, basketball, attending sporting events, and spending time with his family.

In Memory of H. Jacqueline Martin

H. Jacqueline Martin, the second Executive Secretary of the Western Orthopaedic Association, passed away in the fall of 2013. Jackie started and finished her life in her beloved New England.

Jackie became Executive Secretary in 1972, following the original secretary, Vi Matheson, who started in 1954. Jackie loyally served the WOA until her retirement in the late 1990s. She did a wonderful job for the WOA and remained a friend to all member orthopods, as well as being a supportive “Girl Friday” to each President/Board of Directors. She especially had a knack for arranging great venues at the right prices. She will be remembered as a great asset to the WOA, having kept the organization on a steady course throughout her tenure.

She became a lifelong friend to Nancy and me and she will be missed.

C. Harold Willingham, MD
President, WOA 1991
Meet The New Board Members

Jeffrey E. Krygier, MD

Dr. Jeffrey Krygier earned both his undergraduate and medical degrees at Georgetown University in Washington, DC. During his time at Georgetown, his research focused on using gene therapy on breast cancer cells sensitized to currently used chemotherapeutics. He completed orthopaedic residency at the combined Wayne State University/Detroit Medical Center orthopaedic residency program before a one-year orthopaedic oncology fellowship at the University of Texas – MD Anderson Cancer Center.

He is currently a clinical assistant professor (affiliated) of orthopaedic surgery at Stanford University and practices at the Santa Clara Valley Medical Center, a county hospital in San Jose, CA. In addition to the general/trauma practice, he has developed a growing tumor practice serving many residents of Santa Clara County.

James Van den Bogaerde, MD

Dr. Van den Bogaerde is currently an associate professor of clinical orthopedics at UC Davis School of Medicine and specializes in sports medicine and shoulder surgery.

He trained at UC Davis Orthopaedics residency and completed his sports medicine fellowship in Vail at the Steadman Hawkins Clinic in 2003. His interests include resident education and research in joint biology. He provides team coverage for UC Davis, American River College, Sacramento Republic FC and the US Alpine Ski Team.

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Recap of the 78th Annual Meeting

The 78th Annual Meeting was a remarkable success with a superb scientific program. Program Co-Chairs Drs. Bryan S. Moon and Melvyn A. Harrington, along with the WOA Program Committee, did a terrific job of creating the 2014 Scientific Program. Highlights included the informative presentation “Why the Touchy/Feely Competencies are Important” by Presidential Guest Speaker Dempsey S. Springfield, MD; the Howard Steel Guest Lecturer, physician and nutrition researcher, Walter Willett, MD, PhD, presented his thought-provoking “Three Glasses of Milk Per Day: Essential Nutrition or “Udderly” Ridiculous?”, and the Presidential Address by Dr. Valerae O. Lewis “Making the ‘Old’ New Again” was very interesting.

The meeting kicked off with an amazing Welcome Reception overlooking the ocean with a warm Hawaiian breeze, giving everyone a chance to visit with old friends and colleagues. The following evening began with the Exhibitor Reception before everyone went out on their own to enjoy everything the beautiful Big Island of Hawaii has to offer. The meeting was brought to an end with a fantastic Family Luau ‘Gathering of the Kings’, which included music, dancing and a feast fit for royalty.

It was a memorable meeting and we express our thanks to all who attended. If you missed the event, we encourage you to view the 2014 Hawaii pictures on the WOA website (www.woa-assn.org) and see what a great time it was.

We look forward to seeing you next year at The Coeur d’Alene Hotel in Coeur d’Alene, Idaho, July 29-August 1, 2015. Barbara Walters called Coeur d’Alene “a little slice of heaven.” Come check it out for yourself!

2014 Poster Award Winners

Congratulations to the following 2014 WOA Poster Award Recipients. The award winners were selected during the Annual Meeting on the Big Island of Hawaii.

First Place
Megan Kuba, MD, University of Hawaii
John A. Burns School of Medicine, Honolulu, HI/Children’s Orthopaedics Of Hawaii, Aiea, HI
Pediatric Access To Care - A Look At Orthopaedic Access In The State Of Hawaii

Second Place
Cory A. Collinge, MD, Texas Health Harris Methodist Hospital, Fort Worth, TX
A Critical Analysis Of Pre-Operative Diagnostic Imaging For High Shear Angle “Vertical” Femoral Neck Fractures In Young Adult Patients: A Multicenter Study

Third Place
Alan L. Zhang, MD, UCSF Medical Center, San Francisco, CA
Management Of Periprosthetic Shoulder Infections: Is There A Role For Open Biopsy During Staged Treatment?

Congratulations to the 2014 Award Winners

Congratulations to the following 2014 WOA Resident/Fellow Award Recipients. The award winners were selected during the Annual Meeting in Hawaii.

Lloyd Taylor Award Winner
Megan Kuba, MD, University of Hawaii
John A. Burns School of Medicine, Honolulu, HI/Children’s Orthopaedics Of Hawaii, Aiea, HI
One Brace. One Visit: Treatment Of Distal Radius Buckle Fractures In Children With A Removable Wrist Brace And No Follow-Up Visit

Vernon Thompson Award Winner
Jared Niska, MD, University of California, Los Angeles, Los Angeles, CA
Controlled Release Of Vancomycin And Tetracycline From An Orthopaedic Implant Coating Prevents Staphylococcus Aureus Infection In An Open Fracture Animal Model

Harold and Nancy Willingham Award Winner
Duy Phan, MD, UCI Medical Center, Orange, CA
Do Patients With Income-Based Insurance Have Access To Total Joint Arthroplasty?

Sanford and Darlene Anzel Award Winner
Joseph W. Galvin, DO, Madigan Army Medical Center, Fort Lewis, WA
Infection Rate Of Intramedullary Nailing Following Temporizing External Fixation In Closed Fractures Of The Femoral Diaphysis

WOA/OREF Resident Award Winners
Seth H. Criner, DO, Good Samaritan Regional Medical Center, Corvallis, OR
Immediate Weight Bearing As Tolerated After Locked Plating Of Fragility Fractures Of The Femur

Michael Githens, MD, Stanford University, Stanford, CA
Local Versus Distal Transplantation Of Human Neural Stem Cells Following Chronic Spinal Cord Injury

Natalie L. Leong, MD, University of California, Los Angeles/West Los Angeles Veterans Administration, Los Angeles, CA
In Vivo Evaluation Of Electrospun Polymer Grafts For ACL Tissue Engineering
The Western Orthopaedic Association would like to thank the grantors and exhibitors of the Western Orthopaedic Association’s 78th Annual Meeting. Without the unrestricted educational support of the companies listed below, we would not have been able to provide this conference.

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ProScan Reading Services
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Quill/Surgical Specialties Corporation
Stanmore Implants
How Much Are You Leaving on the Table? Improving Your After-Tax Financial Efficiency

Carole Foos, CPA & David Mandell, JD, MBA

Most physicians strive to achieve two goals in their practice – to “do good,” by being a quality practitioner and helping patients; and to “do well” in terms of financial rewards. Unfortunately, as to the second goal, many physicians in private practice do not operate their practices with optimal after-tax efficiency. In fact, we often see doctors leaving tens of thousands of dollars “on the table” each year – which can equate to nearly $1 million of lost wealth over a career. The good news is that many of you reading this can likely improve your post-tax bottom line in a number of ways.

Time is of the Essence
There is truly no better time than now over the last 30 years to focus on post-tax efficiency. As you know, when President Obama signed the Taxpayer Relief Act of 2012 in early January 2013, taxes increased on high-income taxpayers like most of you – in some cases, dramatically. While the details of the “fiscal cliff” deal is a topic for another article, the important take-aways are:

1. Many physicians face a 50%-+ marginal income tax regime, when all of the new tax increases are accounted for. Depending on the city/state where you live, tax rates are now between 45-55%, no less. Income tax planning is more important now than at any time in the last 30 years.

2. These higher rates will apply to more income, with the reinstatement of the itemized deduction limitations and the personal exemption phase-out.

3. Total taxes on long term capital gains and dividends can now reach 23-33% when the new federal tax, healthcare reform tax and state and local taxes are assessed.

The Common Causes of Dollars “Left on the Table”
While the causes of “dollars left on the table” in a medical practice can range from billing errors to unproductive employees, our expertise and focus is corporate structure, tax reduction and benefit planning. For this article, we will focus on three strategies for recapturing some of the funds left on the table:

1. Using the ideal corporate structure;
2. Maximizing tax-deductible benefits for the physician-owner(s); and
3. Utilizing a captive insurance arrangement.

The most important thing you can do is keep an open mind. Just because you have operated your practice a certain way for 5, 10 or 20 years, you don’t have to keep doing the same thing. Changing just a few areas of your practice could recover $10,000 to $100,000 of “lost dollars” annually. Let’s explore the 3 areas:

1. Using the Ideal Corporate Structure
Choosing the form and structure of one’s medical practice is an important decision and one that can have a direct impact on your financial efficiency and the state and federal taxes you will owe every April 15. Yet from our experiences in examining over 1,000 medical practices of our clients, most physicians get it wrong. Here are a few ideas to consider when thinking about your present corporate structure:

A. You must avoid using a partnership, proprietorship, or “disregarded entity”: These entities are asset protection nightmares and can be tax traps for physicians. Nonetheless, we have seen very successful doctors operating their practices as such. The good news is that doctors who run their practices as a partnership, proprietorship, or disregarded entity have a tremendous opportunity to find “dollars on the table” through lower taxes – especially on the 3.8% Medicare tax on income. This can be a $10,000-30,000 annual recovery.

B. If you use an “S” corporation, don’t treat it like a “C” corporation. We estimate that 60%-70% of all medical practices are “S” corporations. Unfortunately, many physicians do not take advantage of their “S” corporation status – using inefficient compensation structures that completely erase the tax benefits of having the “S” in the first place. If your practice is an “S” corporation, you should maximize your Medicare tax savings through your compensation system in a reasonable way. This can be a $10,000-30,000 annual recovery for practices not properly structured.

C. Implement a “C” corporation. Once upon a time, “C” corporations were the most popular entity for U.S. medical practices. Today, fewer than 15% of medical practices operate as “C” corporations. Why? We believe it is because most physicians, bookkeepers and accountants focus on avoiding the corporate and individual “double tax” problem.

While this is crucial to the proper use of a “C” corporation, it is only one of a number of important considerations a physician must make when choosing the proper entity. A common mistake is to overlook the tax-deductible benefit plans that are only available to “C” corporations. If you have not recently examined the potential tax benefits you would receive by converting your practice to a “C” corporation, we recommend that you do so. Utilizing benefit plans that only a “C” corporation can offer can create a $10,000-30,000 annual improvement.

D. Get the Best of Both Worlds – Use Multiple Entities. Very few medical practices use more than one entity for the operation of the practice… and, if they do, it is simply to own the practice real estate. While this tactic is also wise from an asset-protection perspective, its tax benefits are typically non-existent.

Successful practices can often benefit from a superior practice structure that includes both an “S” and a “C” corpora-
Money Matters continued

2. Maximizing Tax-Deductible Benefits for the Doctors in the Practice

If you are serious about capturing “dollars left on the table,” tax efficient benefit planning must be a focus. Benefit planning can definitely help you reduce taxes, but that is not enough. Benefits plans that deliver a disproportionate amount of the benefits to employees can be deductible to the practice, but too costly for the practice-owners. These plans can be considered inefficient. To create an efficient benefit plan, physicians need to combine qualified retirement plans (QRPs), non-qualified plans and “hybrid plans.”

Nearly 95% of the physicians who have contacted us over the years have some type of QRP in place. These include 401(k)’s, profit-sharing plans, money purchase plans, defined benefit plans, 403(b)’s, SEP or SIMPLE IRAs, and other variations. This is positive, as contributions to these plans are typically 100% tax deductible and the funds in these plans are afforded excellent asset protection. However, there are two problems with this approach: i.) many QRPs are outdated; and ii.) QRPs are only one piece of the puzzle.

First, most physicians have not examined their QRPs in the last few years. The Pension Protection Act improved the QRP options for many doctors. In other words, many of you may be using an “outdated” plan and forgoing further contributions and deductions allowed under the most recent rule changes. By maximizing your QRP under the new rules, you could increase your deductions by tens of thousands of dollars annually, depending on your current plan.

Second, the vast majority of physicians begin and end their retirement planning with QRPs. Most have not analyzed, let alone implemented, any other type of benefit plan.

Have you explored fringe benefit plans, non-qualified plans or “hybrid plans” recently? The unfortunate truth for many physicians is that they are unaware of plans that enjoy favorable short-term and long-term tax treatment. These can have annual tax advantages that vary widely ($0-50,000) and also have varying degrees of long term tax value as well. If you have not yet analyzed all options for your practice, we highly encourage you to do so.

3. Utilizing Captive Insurance Arrangements

For practices with gross revenues over $3 million, a small captive insurance arrangement might be significant way to recapture “dollars left on the table.” Today, there are likely many risks in your practice that are going uninsured – from excess malpractice, economic risks, employee risks, and litigation defense risks from any number of audit or fraud claims. Like most physicians, you likely just save funds personally and hope that these risks don’t come to fruition. As a result of your de facto “self-insurance,” you are not taking advantage of the risk management, profit enhancing and tax reduction benefits that are available to you with a captive.

By creating your own captive insurance company (CIC), you can essentially create a pre-tax war chest to manage such risks. If structured properly, the CIC enjoys tremendous risk management, tax and asset protection benefits. The potential tax efficiency, in fact, can be in the hundreds of thousands of dollars annually. While an experienced law firm, captive management firm, and asset management firm are crucial, you as the captive owner can maintain control of the CIC throughout its life. It can then become a powerful wealth creation tool for your retirement.

Conclusion

Nearly every one of you reading this article would like to be more tax efficient, especially with a new higher tax regime in place. We hope these new tax rules motivate you to make tax and efficiency planning a priority, so you too can recapture the “dollars left on the table.” We welcome your questions.

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