

Thinking About Downsizing – What to Consider Before Letting Staff Go

by MD Physician Services Practice Education Program (CMA)

One of the key challenges for physicians in addressing their medical practice cost structure is the cost of staff. Though staff may be critical to the proper functioning of the practice and the physician may have some personal connection to them based on great working relationships established over a period of years, staffing levels and having the right staff in the right roles need to be considered to reduce costs.

Frequently, a medical office can't afford the ideal staffing arrangement because of how physicians and medical services are funded. Your staff represents the most expensive resource in managing your practice, often accounting for 45% or more of your total practice management overhead costs. For various reasons, you may find yourself in a situation where you believe you must dismiss staff members, and the following information is designed to help you make the right decisions under these circumstances.

Direct and Indirect Costs. If you need to reduce costs in your practice, cutting jobs may seem like the quickest and easiest way. Strategically, though, it may not be the best course of action. First and foremost, you may not be aware that frequent changes in staff ultimately cost time and money. Cost savings last only as long as you don't need to rehire staff. Many practices later find themselves back to pre-layoff employment levels. There are costs associated with attracting, screening and recruiting replacements. In addition to being very stressful for you and other staff members, how you manage staff downsizing may affect the productivity and morale of staff that remain with your practice.

Assess Other Solutions. Before you make a decision to dismiss an employee for financial reasons, you may want to consider options to reduce staff hours or the type of staff you employ. A few areas to review include:

- Would full-time employees consider a part-time role within your practice, at least temporarily?

- Can you share staff members with group colleagues to minimize costs, especially when you are not in the office?
- Is your clinic best served by several part-time employees who are only on site when their services are required?
- Can the staff generate practice income by doing certain procedures or improving billing practices?

If your answer is "no" to all of these questions, and you find yourself in a situation where you are unable to avoid dismissing a staff member, keep reading.

Know the Law. The process of dismissing staff involves a variety of personal emotions, financial challenges (for employee and physician/practice staff), legal risks and stress. You should use a fair and objective way of selecting people to make redundant. This means that it should be evidence based.

To proceed with dismissing a staff member, you should enlist the assistance of an employment law specialist to ensure you do not violate any employment laws and to minimize the risk of a lawsuit.

Unsure how to find a lawyer? As in any professional or business sector, the recommendation of a satisfied client is the best source of referral. Ask colleagues, peers and trusted teachers for the name of a lawyer that they have used and would recommend.

Contacting the Ontario Medical Association or Canadian Medical Association (and their subsidiary MD Management) may also provide suggestions for lawyers in your area. However, it is your responsibility to make contact and interview any prospective lawyer or accountant. You may want to interview a few professionals to ensure that you're comfortable with their approach and style. Many will not charge for a preliminary interview, but it is wise to ask about fees in advance.

Always Give Your Staff Notice or Pay in Lieu of Notice.

Physicians risk legal action or a complaint to the Ministry of Labour if the termination is not done properly. The Employment Standards Act sets out minimum requirements although the common law may require additional considerations.

Employers often provide more notice than is required to avoid any legal issues and concerns. Recognize that when staff have been provided notice their job is being eliminated productivity usually declines in the short-term.

Payment in Lieu of Notice. In situations where proper notice can't be given to employees, the ESA requires pay in lieu of notice. This pay is usually made in a lump sum though you may choose to continue paying salary throughout the period.

Common law also has to be taken into account and employment lawyers are experts in this area, too. It is crucial to prepare a termination document and have the Office Manager and the employee being terminated sign it. A lawyer can draw up these documents that will protect you after employees have accepted their notice.

Talk to a Professional. Terminating an employee can be complicated. An experienced employment lawyer can help make sure you comply with all statutes in your province or territory. Contact your lawyer in advance of giving any employee notice to verify that you have met all of the criteria for terminating their contract. It will give you peace of mind to know you've handled all aspects of staff termination properly.

This document was prepared in collaboration with
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