# Guide for New Physicians

## Take advantage of our expertise!

2022 edition

fdp Private Management

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Solution administrative et financière en santé

# Insurance

## Disability insurance

FMRQ group insurance ends on your last day of residency. If you had taken out individual or association group insurance, you must increase your coverage according to your needs and the maximums allowed by insurers based on your specialty. Note that:

- There is a deadline for exercising the increase option at the start of practice. Generally, it is six months after the end of residency/fellowship.
- The increase is done without a medical questionnaire with offers designed for physicians.
- Some of your options can only be changed until the end of your residency. This is the time to make sure they suit your needs.

If you have not already purchased disability coverage (other than your FMRQ group insurance), it is strongly recommended that you do so with one of the insurers that have special offers for physicians (to ensure that you have adequate protection when you start your practice).

## Prescription drug/health/dental insurance

- At the end of residency/fellowship in Quebec, you lose your group coverage with the FMRQ.
- If you have access to the group insurance of your de facto spouse or spouse, it may be worthwhile to join their plan.
- **In order to comply with the Act respecting prescription drug insurance,** you must take out insurance with any organization or federation offering a group insurance plan for which you become eligible, from the start of your practice.
- Quebec medical federations offer you group insurance.
- In any case, you cannot join the RAMQ public plan.

## Office overhead expenses insurance

- This coverage is used to cover expenses related to the operation of your practice.
- Expenses can be the salary of the administrative assistant, rent, medical equipment, etc.
- Depending on your practice, this type of insurance may be required in your employment contract.
- It kicks in during a disability, but its usefulness is different from that of disability insurance and it is less expensive.
- Check with your place of practice for the expenses payable in the event of absence.

## Other steps

- Obtain liability insurance coverage with the CMPA.
- Purchase life insurance, critical illness insurance as needed, according to your life plans (children, home, etc.).

# Accounting and medical billing

**Your obligations as a self-employed professional**

The transition to practice brings a new reality as your worker status changes. For most of you, you will become self-employed. You may be required to meet certain tax obligations depending on your practice profile:

## 1 - Reporting of income as a self-employed professional

- You will be required to report all of your earned income for a full calendar year. However, since your job entails professional expenses, you will be able to deduct these expenses from your practice income. Here are a few examples (non-exhaustive list):
- Meal expenses during your conferences and training.
- Liability insurance.
- Permits and licenses related to your practice.
- Office supplies and IT expenses.
- A part of your cell phone and Internet expenses.
- Professional fees – Medical billing and accounting.
- Books and textbooks purchased during your studies.

Obviously, each situation is different. Ask yourself if the expense you incurred actually enabled you to earn practice income. If the answer is yes, then it would be possible to deduct the expense.

## 2 - Managing tax instalments

Since taxes on RAMQ medical practice income are not deducted at source, you will have to plan the payment of these taxes. You must make instalment payments if:

- Your tax for the current year exceeds $1,800 at both the provincial and federal level.
- Your net tax payable in one of the last two fiscal years exceeded $1,800 at both the provincial and federal level.

So it is essential to plan your payments by setting aside the necessary amounts to avoid surprises.

**Incorporation analysis**

Incorporating a medical practice involves a number of steps with different stakeholders. Many forms must be completed with various organizations and the steps must be followed in a specific order. Here are some tips for making an informed decision:

- Obtain a cost analysis from the professionals around you. To incorporate, it must be advantageous in your particular situation.
- Talk to your accountant and financial planner about your personal plans and practice goals. An increase in your expenses and/or a decrease in your income could reduce the advantages of incorporating.
- The year of transition to practice is crucial to optimize your financial situation. There are tax opportunities to plan for.

Medical billing: what you need to know

## 1 - Registration with the CMQ

You must apply for medical registration AND a first registration on the membership roll so that the CMQ can send the information on your right to practice to the RAMQ. You will have to choose the practice start date.

## 2 - CMPA

You will have to make sure that your medical coverage (CMPA) is in effect when you start your practice. The application can be made a few weeks in advance and will become effective when you have obtained your licence to practise from the CMQ.

## 3 - Registration with the RAMQ

If the RAMQ becomes your payer, after the CMQ has processed your application, the RAMQ will issue a provisional registration number (PRN). To obtain this information quickly, you can call the online services of the RAMQ a few days (5) after your registration on the membership roll.

The PRN is essential to access your RAMQ online registration and authorize your medical billing agency to submit your codes for medical care and services.

## 4 - Place of practice

Your PEM or your replacement/locum must be compliant with your practice establishment. You may be entitled to specific arrangements if, for example, you have mixed compensation or if you have a practice in certain regions or in an outlying or remote region.

**Ask your establishment and your medical billing agency for guidance.**
**Complete reference guide:** https://www.multid.ca/guides-de-facturation
**Select the first guide at the top of the list.**

# Financial planning and investment

## 1 - Managing your debts

- Pay off your debts as quickly as possible, starting with those with the highest rates and non-deductible interest.
- Here is an example of how to prioritize debt payment:
  - 1 - Credit cards
  - 2 - Line of credit
  - 3 - Student loan (interest charges paid entitle you to a tax credit)
- We recommend that you spread your student loan payments over 15 years at the end of your residency. Paying back the loan can easily be integrated into your overall financial plan.
- In general, only resort to debt to pay the costs of essential or durable goods or services.
- To avoid over-indebtedness, make a budget that takes into account all your expenses and all your income.

## 2 - Managing your finances in preparation for taxes and instalment payments

- Since you are self-employed, there are no deductions at source on your income. You will therefore have to make instalments payments four times during the fiscal year.
- During your first two years of practice, no instalment payments are required. Estimate the amount of tax that will be owed the following year and save a portion of your income to cover this amount. This way, you will avoid having to take on more debt to make your instalments payments.

## 3 - Practising in an office

- If, in order to see your patients, you have to share an office with other professionals, be sure to ask to see the contract between the parties and have it analyzed by a professional before signing it. If you are joining an office where several professionals already practise without a written contract, it is important to have one drafted by a lawyer.
- As part of your practice, you may need to open your own office or partner with another physician. Remember that a good analysis is essential. The exercise is demanding, but decisive for the steps that follow. After all, the choice of your business partner is as important as that of the person with whom you share your personal life.

## 5 - Buying a home

- Assess the terms and conditions of the loan (accelerated or early payment options, possibility of renegotiating the rate) and the duration of the term. You can take advantage of this type of provision in your financial plan to repay your loan more quickly.
- If you are already investing in a Registered Retirement Savings Plan (RRSP) and you are buying your first home, the Home Buyers' Plan (HBP) allows you to withdraw up to $35,000 from your RRSP for your down payment, with no immediate tax impact. To find out if you qualify, see government form T1036.
- You must make a down payment of at least 5% and you will have to pay the Canada Mortgage and Housing Corporation (CMHC) mortgage loan insurance premium. Note that for a home worth $1million or more, the minimum down payment is 20%.
- The down payment can come from different sources. It's important to plan everything with your financial planner to avoid over-indebtedness and to see if it is the best solution in your situation.
- To properly plan the purchase of your home in cases where the down payment is unequally shared between the spouses, consult a notary.

## 6 - Choosing your matrimonial regime

- Only marriage and civil union are defined in the Civil Code of Québec. A de facto union is not recognized civilly, although most social and tax laws grant de facto spouses the same rights as married spouses, under certain conditions.
- At the time of the marriage or civil union, couples are subject to family patrimony rules and must choose a matrimonial regime which will determine the rights and obligations that will govern their union.
- The three recognized matrimonial regimes are: partnership of acquests, separation as to property and community of property. Note that partnership of acquests is the default regime. If you make a marriage contract, the separation as to property regime will apply.
- Since their union is not legally recognized, de facto spouses can draw up a cohabitation agreement, which sets out the rules to be followed in the event of separation.

## 7 - Preparing your parental leave

- As a new physician, the FMSQ and the FMOQ offer a doctor who gives birth an additional benefit to that of the Québec Parental Insurance Plan (QPIP). However, you cannot take advantage of both programs at the same time since this would result in a benefit reduction. This benefit is paid for a maximum of twelve consecutive weeks, which must include the date of delivery. In the case of an adoption leave, the benefit can be paid to the father or the mother, and is for a maximum of six weeks. In either case, you must have practised for at least 10 weeks.
  - The benefit provided for in the FMSQ program is equal to 67% of the average weekly practice earnings of the last 12 months, up to a maximum of $2,400 per week. If you are practising in a clinic or office, an additional allowance of 33% of the average weekly private practice earnings applies, up to maximum of $1,000 per week, provided that these earnings are at least $25,000 a year.
  - The benefit provided for in the FMOQ program is equal to 67% of the average weekly practice earnings of the last 12 months, with a maximum benefit of $1,809 per week (2019). If you are practising in a clinic or office, you could receive an additional allowance of 33% of the average practice earnings of the last 12 months, with a maximum benefit of $802 per week.
  - For the rest of your leave, you will be entitled to the QPIP, which covers an income of $88,000 annually in 2022. Consult your financial planner to make the best decision and to know the specific rules. You can also visit the QPIP website for more information.

## 8 - Building your investment portfolio

- If you haven't started yet, build your savings with a well-diversified investment portfolio based on your investor profile (your age, your investment knowledge, your investment horizon and your risk tolerance). Your investment policy will determine the lower and upper limits of each asset class (fixed income and equities) in your portfolio.
- Since the tax treatment is not the same for all types of investment income (interest, dividends, capital gains), some strategies can reduce your tax bill.
- Your asset allocation determines the exact weighting of your investments in each asset class. This allocation must be periodically reviewed and adjusted.
- Your portfolio must also be well diversified in terms of geography and sector, to give it better exposure to different sources of return and to protect it.
- In the event of a significant change in your personal or professional life, or if you are rethinking some of your goals, review your portfolio with your advisor to make sure it reflects your current situation.

## 9 - Planning your retirement intelligently

- Even if retirement is still a long way off, it is never too early to start planning for it.
- Your savings are the cornerstone of this plan and the sooner you start saving, the more your savings will grow and enable you to achieve your goals.
- First determine the age at which you would like to retire: this will give you a horizon for your plan.
- Include a protection mandate with general power of attorney and a notarial will in your plan.
- If you are one of the shareholders of a corporation, make sure you have a shareholders' agreement to protect your assets.

# Contact us

For any information concerning issues relating to the application of the collective agreement of the Fédération des médecins résidents du Québec or concerning physician resource planning and distribution during residency for entry into practice and for those who take additional training (fellowship), we invite you to contact the FMRQ at info@fmrq.qc.ca.

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