



Start It Up: Planning — How to Launch a Practice

Worried that hanging out a shingle might be suicidal in today's business climate? Not so! Here are the first steps to starting a successful practice.

By Laurie Hyland Robertson

Despite dire predictions trumpeting the imminent demise of the U.S. healthcare system, you could still do a lot worse than to go into private medical practice. In fact, we've spoken with plenty of physicians who've recently made the leap and couldn't be happier.

Take Beth Santmyre-Rosenberger, MD, PhD, who opened her Fairmont, W.V., dermatology practice two years ago. Now, she says she's financially stable and, more importantly, has "a genuine feeling of enjoyment and accomplishment at the end of the day."

"As long as you do your homework and take all of the steps correctly, it's really hard to fail," says consultant Keith Borglum, who's advised hundreds of nascent practices. "The reason people fail is they're either oblivious to some step and they make a mistake, or they don't do proper planning."

Ahh, the planning — not much fun, we know, and more easily said than done. This article and the next in the series will focus, respectively, on general planning and financial planning, aka budgeting. Planning, of course, underpins all elements of starting a practice. Your philosophy, in turn, will guide all planning.

A word of advice from family physician Eduardo Peña Dolhun, whose practice has also been open for two years: "There's too much risk involved in medicine [to go into it and] to not love it. You've got to tap into that core of passion."

So what is it about medical practice that truly floats your boat? What drew you to the profession in the first place?

For Dolhun, who runs a small but thriving cash-only practice, people themselves are the draw — so much so that spending ample time with each patient dictated a business in which he contracts with no insurers and opted out of Medicare. Some might call this a concierge practice (sans retainer), but Dolhun says simply, "For me, it's a back-to-the-future type of thing. I see [everyone from] rich individuals to lower socioeconomic and middle-income individuals. But the model is very simple — 'I'm paying X amount of money for him to treat me' — and that's refreshing."

Everyone *Physicians Practice* talks to about starting a practice stresses the importance of knowing what you want out of it — now, five years from now, 10 years from now — and putting serious thought into how you'll go about getting there. "The planning stage is a very intense period. It's expensive and time-consuming," notes retired ophthalmologist



William Hutton, now chairman of MedSynergies, a revenue cycle management firm. “I recommend using your training and residency period to think about the kind of lifestyle you want and where you will search for opportunities that are aligned with your goals.”

Location, location

“I teach at a lot of residency programs,” says Borglum, “and they all want to know where the best location is. I tell them to first decide where you want to live.” Unless you’re, say, a plastic surgeon considering setting up shop in Beverly Hills, odds are you’ll be able to establish a successful practice somewhere near your chosen home.

Your family’s preferences should carry significant weight in that choice, says Hutton. Borglum is more specific, noting that most physicians would probably do well to consider locations within 50 miles of home.

Hutton suggests interviewing doctors in the area to gather initial data and get the lay of the land. “Get an idea of the physician community,” he says, “because they’re very, very different. Some are quite adversarial; others are quite cooperative.” What political quirks are in play? How well will a new physician be accepted? “It’s amazing the differences in different areas of the country,” Hutton notes.

Next, Borglum advises, more deliberately assess the competition. “There are all of these surveys you can buy, and demographic information you can pay for,” he says. Like many consultants, though, he recommends a simpler approach: “Call at least five or seven of the competing practices — those in your chosen area and specialty — and ‘mystery-shop’ them, pretending to be a patient, the daughter of a senior, mother of a child, depending on your specialty. Find out how long their wait for a new-patient appointment is. If all the competitors have no waiting time, it’s going to be harder to open there.”

You’ll almost certainly need *some* formal demographic information for financial and other backers, but according to Borglum, “For strategic planning purposes, your wait list will — within six to 12 months — equal everyone else’s.” He also points out that a location as few as 10 or 20 miles away could be dramatically different.

Philosophy plays a big part in the decision-making process. In addition to simply connecting with patients, having the freedom to make house calls, and avoiding a position as “a bargainer with the insurance companies,” another thing that excites Dolhun is cross-cultural medicine. It was partly this passion that led him to practice in an area too expensive for many physicians to even consider — San Francisco, which boasts a multiethnic population and plenty of opportunities for academic research on the subject. Because he insisted that his philosophy guide every decision along the way, he’s succeeded despite a difficult insurance market and a high cost of living.



The money man

Many physicians delay starting their own practices for a few years while they store up cash, real-world experience, and all-important confidence. Most of those daring enough to launch practices shortly after residency will need to seek financing, a topic we'll explore in more depth in the next article in this series.

Either way, one crucial (if seemingly obvious) bit of advice is to keep costs as low as possible. "You can inadvertently buy too much [equipment]," notes Dolhun, "and if you get a little dip for whatever reason, you can go into the red. That becomes very stressful."

We'll discuss ways to reduce costs at greater length in future installments.

In the meantime, though, it's worth noting that competent professional advice is one thing you don't want to skimp on. "People think they can do it themselves and they don't want to spend the money on CPAs and lawyers," says Hutton. "But unless they already have a business background, it just isn't going to work."

In addition to an accountant and an attorney, both of whom should ideally specialize in working with private-practice physicians, you'll need to establish a relationship with a banker (and not necessarily a local one). How to find the right one? Ask other physicians who've started their own practices, says Hutton.

A practice management consultant is not an absolute must, but this person can save time on the front end. As a physician, your time is your most valuable commodity; you shouldn't spend it trying to become an expert in every area of running a practice.

The biggest mistake Borglum has seen would-be practice owners make is undertaking too much research too soon. You could waste a lot of time on dead ends because there are too many unknowns in the early going. "It's like when a patient walks in with an inch-and-a-half stack of Google printouts on their rash, and you know immediately by looking at it that it's poison oak," explains Borglum. That patient was barking up the wrong tree, er, researching the wrong thing — if he'd gone straight to the expert, you the physician, he could have saved himself lots of time and angst.

In writing

Even if you're not seeking financing for your new practice, most experts suggest undertaking the exercise of writing a business plan. This document will cover everything from philosophy and marketing to lists of equipment and projected financial scenarios. Many now recommend adding a disaster preparedness strategy as well.

The business plan should bring sharper focus to the future of both the business and its



stakeholders. The [Small Business Administration](#) offers a basic online tutorial to guide you through the process, and your banker can also help. Many specialty societies and state associations offer sample plans, too, and the earlier you make connections with these resources, the better.

You'll need a business plan even if you're not borrowing money, though in that case the plan may be less formal. The written report that results from the planning process is merely the tip of a much larger iceberg. You might be surprised to learn that the business plan should be a work in progress throughout the life of your practice — one that you revisit as often as quarterly and revise to reflect new realities — not a static document that collects dust on a shelf.

Plan for the unexpected, too.

“We made arrangements to borrow more money than we hoped we'd need,” says family practitioner Andrea Cady, in group practice for two years. “You've got to have some contingency money.” Those extra funds came in handy when she and her partners decided to bring on a physician who specializes in sports medicine. The original budget didn't include X-ray capabilities, which would cost an additional \$40,000, but ultimately the group felt the expense was justified by bringing this physician's expertise to the practice. Despite such a massive unexpected outlay, all was not lost because the Bozeman, Mont.-based partners had planned properly. “We've earned that back already and are making a profit on the service,” says Cady.

Speaking of partners, one thing you'll need to decide early is whether you want any — and, if so, whether to have them on Day One, or to consider adding them later. Although Cady's experience starting out with partners was a positive one, caveats abound. “I knew both of my partners quite well,” she explains, “and we had the luxury of being able to sit down and brainstorm and say, ‘What do we really want our practice to be?’ and get comfortable before we made a financial commitment.”

Of the partnership, Cady says, “We refer to it as a marriage. It can be as stressful as a marriage, take as much time as a marriage, you can love and hate the person at the same time — the way you do with a spouse. ... You need to remember to treat each other with respect even when you're not feeling so pleasant about each other.”

The partnership question, which you'll note brings us right back to philosophy, is just the first element of structure to consider.

Chicken or egg

The business organization of your practice is one planning question a qualified professional — an attorney, in this case — should help you answer. For example, despite



its increasing popularity since the 1990s, the relatively new limited liability company (LLC) structure may not be the best choice for every practice.

Unless you're able to devote yourself to planning full time for at least six months in advance of opening your practice, yet another area in which to enlist help is credentialing. You might think you have other, bigger fish to fry first, but you can't start the licensing and credentialing processes too soon.

For instance, notes Hutton, "Some states have certain idiosyncrasies. Texas requires you to complete a course of jurisprudence before you can begin your practice. These [courses] are only given at certain times, so you have to plan far in advance to ensure you can practice when you arrive."

Sherry Migliore of PMSCO Healthcare Consulting, recommends starting on credentialing the day you decide to open a practice. "We've had people start eight months in advance," she says, "and it's *still* not done by the time they're ready to open."

You'll need a physical address before you can get very far with most payers, but you can usually list a temporary address, such as a post office box, and change it later. Payers will also require that you have tax ID and NPI numbers set up, and some will want to know details like your office hours and whether your building has an elevator for accessibility. If you've previously had a Medicare number, even if it was under your own name in another practice, you'll need to apply for a new one.

Fortunately, says Borglum, assuming you're not going cash-only, "In most marketplaces you only have to give serious consideration to one or two IPAs, Medicare, and maybe three or four other insurance plans."

There's no doubt that starting a practice is complex, but the potential payoff is enormous. "You have more opportunity for more earnings than in group practice," says Borglum. And more importantly, you'll have the personal satisfaction that comes with being your own boss.

Having successfully launched his own practice, Dolhun voices a sentiment we wish we heard more often: "I am really happy being a doctor!" Wouldn't that be nice?

Laurie Hyland Robertson, BA, *is a senior editor with Physicians Practice. She has been in the medical publishing field for 10 years, working editorially on both clinical and business-oriented healthcare topics. This article originally appeared in the March 2008 issue of Physicians Practice.*