

A GUIDE TO STARTING YOUR OWN PRACTICE



These 16 steps will set you on the path to success as a solo practice owner.

BY DEBRA PHAIRAS, MBA

A recent study found that, in 2023, 77.6% of doctors were employed by hospitals or other corporate entities—an increase of 5.1% from 2022.¹ Most of these practices are in the primary care specialties. Subspecialty medical care, including ophthalmology, retina, dermatology, and cosmetic surgery, still boasts many solo and small-group practices.

This trend toward consolidated care is particularly troubling because research shows that hospital-employed physicians perform more services than their independent counterparts at higher costs.² Physicians are more likely to refer patients to higher-cost facilities within their employer's network, which potentially impedes competition from other hospitals, according to a recent paper co-authored by Martin Gaynor, a professor of economics and health policy at Carnegie Mellon University.³

Hospitals lose money on employed physicians and may start to look for ways to cut costs, including reducing compensation or even laying off physicians who are not productive or cost-effective.

Owning your own practice can alleviate most, if not all, of these concerns. As a former risk manager for a medical malpractice insurance company, I know first-hand that clinicians must always advocate for and recommend what is in the best interest of the patient because they will be held to the standard of care of what another clinician would do. In retina, a retina specialist will be the one to testify against you.

Investing in your own practice can be satisfying in other ways, too. For one, a physician-owner can implement a clinic workflow that perfectly aligns with their personal and professional goals. For another, Medscape recent data show

AT A GLANCE

- ▶ Recent data suggest patients overwhelmingly prefer independent private practices compared with corporate-owned practices.
- ▶ It takes 6 to 12 months to plan to open a practice; initial steps include finding a location and obtaining insurance credentialing.
- ▶ Create a revenue and expense pro forma, which estimates your working capital needs until you break even and can pay yourself. A capital budget is also needed to pay for equipment and furnishings.
- ▶ When the office is ready, hold an open house and invite all potential referring doctors, nurses, hospital administrators, local medical society executives, and others.

that private practice physicians earn slightly more than employed physicians.⁴

Patient satisfaction with private practices is also evident, according to a survey of 1,000 US patients. The survey found that patients overwhelmingly prefer independent private practices compared with corporate-owned practices, and 58% of respondents said they were aware of who owned the medical practice they visit.⁵ The biggest draw of an independent practice was a stronger doctor-patient relationship, with 78% of survey respondents noting that they appreciate a more personal relationship with their provider, 60% indicating a greater sense of trust, and 57% saying the quality of care is higher.⁵

With all these benefits to a solo practice, retina specialists shouldn't be afraid to strike out on their own. Here, I provide a step-by-step guide to help clinicians start the journey toward independence and success as a solo practice owner.

THE PLAN: 16 STEPS TO SUCCESS

It takes at least 6 to 12 months to plan to open a practice, and the two biggest first steps include identifying the right location and obtaining insurance credentialing. Below is a step-by-step checklist of tasks that can help you start off on the right foot.

1 Assess the Patient Demand in Your Area

The American Medical Association, Graduate Medical Education National Advisory Committee, Hicks and Glenn, and AAO all have data on ideal physician-to-population ratios. Ophthalmology is approximately one per 20,000 people, and it takes about 20 ophthalmologists to support a full-time retina specialist.^{6,7} Before deciding on the right location for your practice, contact the local hospital to ask about the need for retina care in the area. Hospitals conduct demand studies for every medical specialty, and they may share their information with you regarding the number of ophthalmologists in the draw area and the need for retina specialists.

2 Create Checklists for Tasks You Must Complete

When I help physicians open a practice, I use our company's copyrighted New Practice Decision Grid, which outlines the tasks in the order they should be accomplished. There are many free checklists available online and through organizations such as the AAO.

3 Decide on Structure

Most surgical specialists form a corporation—usually an S corporation but sometimes a C corporation and, if your state allows it, an LLC.⁸

You can be a sole proprietor, but if you think you will want to bring in another physician at some point, it's best to incorporate and obtain an entity type II NPI for

the corporation. This provides a degree of protection for personal assets with the corporation.

Make sure you know the laws in your state for medical practices before deciding on the structure. You may choose to have a fictitious name, such as *Pleasant Valley Retina Specialists*. Some states require this name to be approved and filed by the state medical board prior to forming a corporation with a fictitious name.

It is strongly recommended to obtain a tax ID or EIN to bill under instead of your social security number—this gives you an extra layer of protection in the event of a data breach. In addition, you will need this number for insurance credentialing.

4 Secure Financing

You should create a revenue and expense pro forma, which estimates your working capital needs until you break even and can pay yourself. A capital budget is also needed to pay for equipment and furnishings. These are even more important to calculate if you need a loan. Many banks are already familiar with various medical subspecialties and can help you estimate your needs. After you have obtained your tax ID and articles of incorporation, you can establish a business banking account, loan, line of credit, and merchant account to accept credit and debit cards.

5 Find an Office Space

Medicare and Medicaid require a legitimate office space to obtain credentialing. Whether you rent or own depends on your finances and location. There are medical office space brokers who can assist you in finding an office space and help negotiate rental contracts and buildouts or leasehold improvements. In general, an expense ratio of 6% or less for rent-to-revenue is recommended.

6 Set Up Your Phone and Fax

You will need a phone and fax number when applying for credentialing. You can obtain these numbers prior to moving into a space by reserving them. Voice-over-IP and e-faxes are acceptable. You will also need to secure internet service and phone equipment.

7 Apply for a Business License

Once you are set up with the basics listed above, you can secure a city business license. This is also required for Medicare/Medicaid.

8 Begin the Insurance Credentialing Process

To start the insurance credentialing process, you need your CAQH login and password. If you are staying in the same town but are now opening your own practice, you will be billing under your new tax ID; thus, you must start the insurance credentialing all over again, which can take 3 to 10 months depending on the insurance plan.

I recommend you hire an expert to help with this step because even one small mistake can delay the process. Insurance companies are on their own time schedule, and there is no way to expedite the process.

9 Consider Working With a Certified Public Accountant, Lawyer, and Other Consultants

You are a doctor first and foremost. I recommend you work with experts to help with other aspects of the business. Your local medical society can recommend professionals to help you. If you are starting out small, you can use Quickbooks online for accounts payable and allow your accountant access to make corrections to the chart of accounts data.

10 Organize Your Practice Insurance Needs

You will need to obtain various insurance policies for both yourself and staff, such as workers compensation, health insurance, disability insurance, business interruption, cyber insurance, and employment practices liability for labor law disputes.

11 Purchase Medical and Office Supplies

For the first time, you will be responsible for vendor relationships, retina drug accounts, medical supplies, and office supplies. It might be tempting, but never ask staff to drive to pick up supplies because you are liable if they get into an accident while completing that task. Instead, have supplies delivered to the office.

12 Ramp Up Your Marketing, Website, and Branding

Once you are set up with the basics of your practice, you can focus on the fun aspects. Create a logo; the look and feel of your website, brochures, business cards, and stationery should be consistent. You will need to communicate your branding to your designers. Don't forget to have a professional picture taken of yourself wearing a smile!

You can visit other ophthalmologists and primary care physicians to ask how they opened their practice. This is an easier approach compared with trying to talk them into referring to you. Ask these referring physicians how they wish for you to communicate results with them; for example, they may prefer email, fax, a text, or an electronic health record interface. Ask what they want to appear on these reports. They are just as much your customers as your patients.

13 Hire the Right Staff

Hire for attitude and train for aptitude. Research the labor laws in your state, understand which positions are deemed exempt from overtime (ie, salaried) and which are non-exempt (entitled to overtime), and follow the laws in your state. When you are interviewing potential employees, prepare a list of questions and listen rather than talk too much about yourself or the practice.

Once you have decided who you want to hire, you need them to provide I-9 documents to prove they can legally work in the United States. No matter how trustworthy they seem in the interview, always perform credit, criminal, and education background checks.

At this point, you need to develop written policies and procedures, including an employee handbook of personnel and clinic policies on appointment scheduling, testing protocols, and office tasks. Staff learn visually, not verbally, and it helps to have a manual as a reference.

14 Decide on an Electronic Health Record and Practice Management Software

Depending on where you have practiced in the past, you might already know what you want to use. But don't be afraid to shop around. In addition, these should be integrated and user-friendly. Decide on your criteria for must-haves and present these to vendors.

15 Hold an Open House

Once you have had 1 or 2 months to work out the kinks, hold an open house, usually from 5 PM to 7 PM, and invite all potential referring doctors, nurses, hospital administrators, local medical society executives, and others. If you are okay with it, your local pharmaceutical representatives are often willing to provide light refreshments.

16 Be Patient

For many, this is the hardest step of the entire process. It will take 6 to 12 months to smooth out your policies, procedures, and the rhythm of the practice. While you are ramping up, take advantage of business courses through your specialty societies and local/state medical associations. In opening your own practice, you are learning everything medical school didn't teach you about the business side of the practice. Take comfort that it is much easier than medical school! ■

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