

5 tips

to Starting Your

Independent

Practice



You've done it! You've completed medical school and are now ready to set up shop and practice what you've learned. However, now you're faced with a decision: Should you become an entrepreneur and start your own independent practice or become employed at a hospital? The decision is much easier than you think.

Starting and running an independent medical practice is more viable than it has ever been before, especially

when you're equipped with state-of-the-art technology. It's much more attractive than working for a hospital, where physicians find themselves tied to quotas and financial metrics that compromise patient care and their lifestyles.

When you start your own practice, you decide you want more autonomy to make decisions that enable you to spend more time with your patients, which equates to better patient care.

You want to set your own schedule and quotas, without someone telling you what you should or should not do. Join the thousands of doctors who are establishing independent medical practices; it will be one of your most rewarding professional experiences. Below are some of the most common mistakes physicians make when establishing a private practice. It's great to be an independent practice if you do it right.

Tip #1: Timing is Crucial

The process of starting a practice should begin prior to finishing your residency, leaving a hospital or exiting a medical group. Decide prior to completing your residency if private practice is for you. Placing yourself in a position of urgency only adds stress to an already stressful position. Making a decision prior to finishing your residency or leaving your current job is the best way to give your practice a good start.

As motivated as you may be to get your practice up and running, you'll need to rely on the help of others, including a lawyer, accountant, lender, real estate agent, office manager, etc. Establish clear objectives with your team of experts to make sure they complete their required projects as promised. You should plan to spend at least six months for you and your team to get your new practice up and running. If not, you risk having to see

patients gratis, or at a great discount, if you intend on participating in third-party payers. If you intend to open a concierge medical practice, the time consuming credentialing process will not slow you down, but you'll still have to contend with multiple individuals and organizations to establish a business. The timeline with credentialing is approximately six months. Without credentialing, give yourself four months.

According to Lucien Roberts of Physician's Practice, "Though most credentialing can be done within 90 days in many markets, give yourself at least 150 days. As payers have merged and supersized, a practice's ability to expedite an application has decreased. You are working on the timeline of someone else — the payer — and each payer has its own internal timeline for application processing. Give yourself some leeway and start early."¹

Plan to spend at least six months before starting your new practice.




Tip #2: Show Me the Money

After starting the credentialing process, the next most important step is to find a lender. There aren't many individuals, including physicians, who can start a new business without the proper financial support. Undercapitalization is a significant cause of small business failure. "Although undercapitalization can affect any business, it is particularly common and problematic for small businesses. In fact, undercapitalization is one of the warning signs of major financial trouble for small businesses, as well as a significant cause of small business failure. There are a number of factors that determine how much capitalization any small business needs. Businesses that offer a service

usually require fewer funds than those that manufacture a product. Similarly, businesses in which the owners perform most of the work tend to need less up-front capital than businesses with employees. A company's initial capitalization also depends on the entrepreneur's ability to invest personal funds and institute a sound business plan."²

In order to avoid future problems with undercapitalization, entrepreneur physicians should perform a realistic assessment of their expenses and financial needs. According to Inc. Magazine, "Some of the major expenses facing a new business include facility rental; salaries and

wages; equipment and tools; supplies, utilities; insurance; advertising; and business licenses. Based upon this information, the entrepreneur should prepare a cash flow projection on a monthly basis for the first year. The difference between the funds the entrepreneur is able to contribute, the amount of income the business is expected to generate, and expenses the business is projected to incur provides a rough estimate of the business's financial needs. Ideally, an entrepreneur will secure the necessary equity from various sources to make up the difference and provide the business with sufficient capitalization."²



Undercapitalization is a significant cause of small business failure.

So, let's assume you'll find a lender. It's important to get to know them and develop a good working relationship. Establish and work toward common goals. Not enough money can cause your practice to fail, but too much money can also put you in the danger zone. Creating a financial Proforma³ is important to not only quantify your numbers, but to also make initial decisions on how you'll run your practice. It will determine which services you can offer, how much space you'll need and where, which payer mix you'll have, how much your electronic health record (EHR) and practice management will cost, and how much to spend on marketing, etc.

Prior to visiting with a lender, calculate your revenue expectations and then list all of your expenses. Divide the expenses into what you'll need before you open your practice. Make sure operating expenses for the first year include equipment and any professional services fees, such as a lawyer, accountant, insurance, medical business advisor, etc. Project the worst and best case scenarios. Additionally, you'll need to put your last two years of tax statements together and complete a personal financial statement. Be prepared with this information prior to visiting with a lender.

Tip #3: Hire Right

Although you might be tempted to hire your cousin or your neighbor's niece to work at your practice, hiring the right people for the right positions is imperative to get your new practice off to a good start.

According to Holly Regan of The Profitable Practice, "Hiring decisions can be key determinants in the success level of your practice. The office manager is an especially crucial member of your staff. He or she must be a 'Jack of all trades,' possessing both clinical and business acumen.

In addition to keeping the office running smoothly, the manager has to supervise practice staff, handle patient complaints and oversee bookkeeping and finances." She continues, "Your office manager must be friendly, even-tempered and outgoing. They must have excellent people skills, and be able to communicate effectively with everyone who passes through the office: physicians, clinical and administrative staff, patients, drug company representatives and other clients or partners. Your manager should also be empathetic toward

everyone in the office, and should enjoy talking with, listening to and helping others."⁴

A physician who is active in running the practice requires a manager with less experience, however, a physician who delegates needs someone who can handle the workload. A person who is college educated, especially an MBA or RN, should handle additional responsibilities. An RN will help with certain additional responsibilities such as giving shots, or conducting physicals or hearing tests, etc.

Hiring the right people for the right positions is imperative to get your new practice off to a good start.

Ensure you bring in highly motivated staff who are as invested in your practice as you. Don't hire until you're positive an individual is a good fit culturally, can understand, demonstrate and abide by your vision and values. If you'll have a busy, fast-paced practice, hire staff that can keep up with you. Hiring the wrong people is expensive, considering how much you'll invest in them to learn your EHR, practice management and other IT systems, equipment, operations, billing, finances and workflow. Above all, trust your instinct. Before you screen candidates, decide what education and experience is necessary for the role that's specific to your practice. During the interview process, look and listen for the qualities and characteristics that are important, and look for any warning signs.

It's most important, though, to surround yourself with the right people who can give you, and especially your patients, a positive experience. Training and investing in a subpar employee is never advised. The less time you need to spend training your employees, the more time you'll be able to spend with your patients, your family, and doing everything else you enjoy.



Tip #4: The Technology Chase

These are exciting times for healthcare technology. It's refreshing to know many high-tech companies and practices are on the path to improve the quality of patient care and the patient care experience through the use of technology. At the same time, U.S. providers are offering some of the best care in the world, especially smaller, independent medical practices. You're offering top-tier services, while meeting and maintaining compliance with government regulations, with a more personal, down-to-earth experience. This is no small order.

For the most part, healthcare and independent practices understand that both electronic health record (EHR) and practice management (PM) systems are necessary to bring these improvements to fruition.

By now, you've probably been through your first round of using an EHR during Residency. The next step, as you prepare to open your practice, is to choose the one that works best for you and meets your independent practice requirements. There are key areas to consider when choosing an EHR and PM for your practice: usability, interoperability, budgeting, reporting, patient engagement and security. Search for technology that best matches the needs and workflow of your independent practice, with security and usability at the forefront.

To keep costs in check, look for cloud-based EHR and PM systems. Cloud technology gives you access to work with content available at a shared online location, rather than a local server or disk drive. All software

and information is stored on an online network with the Internet as the point of access. The number of users who can access that software is securely controlled. Cloud technology offers an infrastructure that doesn't need to be hosted at your practice and includes free upgrades to remain efficient and compliant. Additionally, budgeting is easy, as the cloud-based model affords a predictable monthly service fee. Cloud technology affords a stable monthly payment, which ensures you can predict cash on hand to pay for medical and office supplies, payroll, fees and taxes, and other necessities. Plus, there's no need to become an IT expert, as it frees you from worrying about hardware failures or software updates, since managing those responsibilities falls on the third-party vendor.

There are key areas to consider when choosing an EHR and PM for your practice.

Compared to installed software, cloud technology is uniquely defined.⁵

On-demand. Any resources, from vital business functions to basic email, are available to all users.

Agile. Upgrades can be made and applied across the network

Broad network access. Availability is ensured, since access is not dependent on location and can be accessed via PC, laptop, tablet, Smartphone or Smart watch.

Resource pooling. Many can use the network at one time to access the same tools and functions.

Easily scale. Highly accommodating and responds to a rapid increase in the number of users at once.



The ability to make informed financial decisions based on real-time data is invaluable to a small practice.

Your choice of an EHR system must be intertwined with your PM. The two systems must communicate with each other, so make sure the electronic communication is seamless. Likewise, communication with other clinical and business systems, such as a patient portal, scheduling and billing, should work harmoniously together. Your new EHR and PM should provide exceptional and easy-to-read medical reporting, including benchmarking, to measure, manage and control financial performance. The ability to make informed financial decisions based on real-time data is invaluable to a small practice. This will uncover many hidden revenue opportunities.

Another must-have in today's EHR technology environment is the use of mobile technology, including tablets and laptops, and especially Smartphones. Mobile EHR will greatly enhance your productivity. You can access patient data, medication history,

allergies, immunizations, scanned documents, lab orders and results, and insurance coverage from anywhere. Connect to your staff and patients via secure messaging. Being on-call has never been easier when mobile is integrated into your EHR.

According to Tyana Daley, "The advantages are obvious: mobile devices quickly deliver medical records and other information directly into the hands of the treating physician and other members of the health care team. Tasks are synched and streamlined, meaning health care professionals can focus more on patient care than on administrative duties. As the availability, functionality and quality of handheld devices increases – at the same time as price points are decreasing – it's a safe bet that health care professionals will be using mobile technology for many of the same functions they previously performed from behind a desk. Also, physicians and other medical

providers are increasingly likely to use mobile devices to consume medical news and information. For doctors on hospital rounds, mobile devices offer tremendous potential in terms of patient consultations. The ability to see results – as opposed to simply hearing them recited – can be a huge step toward putting patients at ease and ensuring their understanding of their diagnosis, prognosis and treatment plan. That, in turn, helps create a relationship of trust."⁶

Investing in technology, whether hardware and software, diagnostic equipment, or other necessary products and services, is a given in the medical industry. Small practices must be innovative and remain on top of advances in the industry, because the ultimate goal is providing the very best care to each patient.

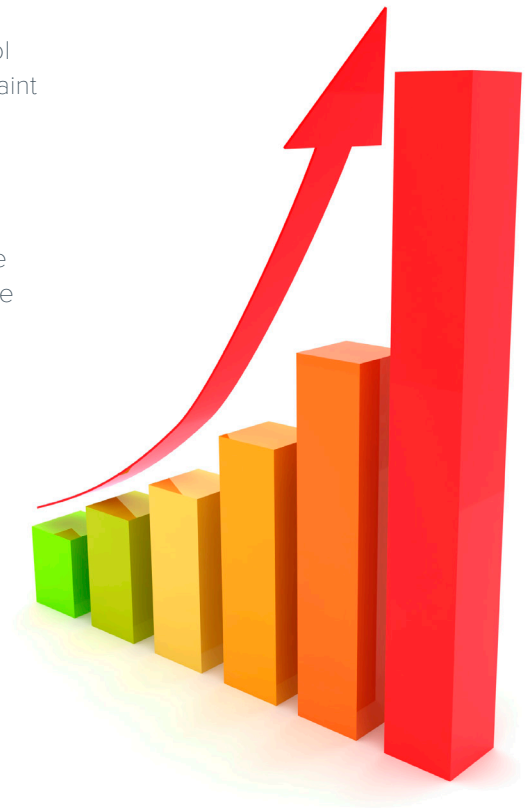


Tip #5: Medicine as a Business

It used to feel out of the ordinary to say the phrase “medicine is business.” Medicine was medicine and business was business. Now, without hesitation, medicine is a business. It puts not only physicians just starting out and also those who have spent years offering results-driven care behind the eight ball when going into practice by themselves.

The business side of medicine is not typically taught in U.S. medical school programs, which is a common complaint among students. Not knowing key fundamentals in business creates problems for medical students after graduating from medical school and becoming doctors. It’s especially true with the impact of the Affordable Care Act (ACA or Obamacare).

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“Medical schools do not traditionally teach students about business, management and leadership, but these skills are essential for future doctors in the 21st century,” according to Dr. Joseph Kim. He continues, “Most medical schools and residency programs do not adequately prepare graduates for the practice management issues they are likely to face in private practice or in a salaried employment model. Students are graduating with holes in their knowledge around contract negotiation, conflict resolution, or change management. As a result, these young physicians are entering the healthcare system and struggling to answer complex questions such as: How do you improve clinical workflow to enhance productivity? How do you critically evaluate the financial performance of a private practice to determine where to make changes that

will improve the overall effectiveness of the practice? Most medical students are fairly insulated from business elements surrounding billing, reimbursement, and the risks associated with medical malpractice. Some medical students may have a better grasp of practice management because they may have been exposed to these issues prior to medical school. However, these areas continue to evolve in the wake of debates and discussions surrounding healthcare reform, accountable care organizations, and physician payment models”⁷

Dr. Mudge-Riley says research has shown “fewer than half of graduating medical students in the U.S. receives adequate training to understand healthcare system strategic approach and the economics of practicing medicine. So, what is the best way for

doctors to appreciate and understand the business side of medicine? It’s important for the success of a clinical doctor who needs to market and oversee a practice. It’s important as we move into the realm of changes due to health reform and doctors must take leadership roles and be able to effectively negotiate their future employment situations. It’s important for the success of a doctor who is working in the non-clinical world in the financial sector or in a marketing, sales or management role.”⁸

How can doctors understand the business side of medicine? Going back to school for an MBA requires a huge investment of time, money and other resources, and a business degree won’t put you on the fast track to success.

“There’s an argument to be made that understanding the business and economics of medical practice makes physicians better caregivers,” says Dr. Colin Son. “The physician population is slowly catching on to this. Education on the business side of medicine is becoming less and less a ‘learn as you go’ type of thing and more of an option in medical school curriculums. More than 50 medical schools in the United States now offer joint MD/MBA programs. Indeed, a whole industry has arisen around the business of medicine and practice management.”⁹

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