

The ROAD *to* PRIVATE PRACTICE

There may be potholes and it's not exactly lined with gold anymore, but private practice still has its rewards. Here's a roadmap to get you to your destination safely.

BY DON BABWIN

DR. John Schoenberger had a lot of reasons for wanting to break away from a medical group, some personal and some professional. But together, they all boiled down to this: "I wanted to take back my career," says Schoenberger.

Last year he did just that. He left the group of about 15 doctors in Redwood City, California. He bought some used office furniture and medical equipment and put it in a smaller office in the same city. He learned how to use some accounting software, hired one employee, and hoped somebody would walk through the door.

Deciding whether or not to go into private practice. It is probably the most important professional choice you will have to make since you decided to become a doctor. It is not made any easier by the fact that if you're like most young physicians, you're swimming in debt. Then add to that what managed care has done to the medical landscape, not to mention the horror stories you've heard about the daily battles doctors are waging over reimbursement.

And there you are, all those years of learning how to diagnose diseases and treat patients, and not one minute of that education had anything to do with running your own business. Well, take heart. You've got to be careful, but if you want to go into private practice, whether it is in a group or solo, it can be done.

Before you get started, it is important to under-

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ILLUSTRATION / STEPHANIE CARTER

stand one important fact: **YOU DON'T KNOW WHAT YOU'RE DOING.** Ever wonder why most new restaurants fail? Chances are many of them were opened by people who figured their great cooking would spell success and forgot, or didn't realize, that restaurants are businesses.

A medical practice is at least as complicated a business as a restaurant. At least in a restaurant, the prices are the same for everybody. That is especially true today, says Terry Isselhard, a Chicago attorney who specializes in health-care law, primarily representing physicians and physician organizations. "Doctors today are

going into a medical community that is in a total state of chaos," he says. "There is no such thing as a secure medical practice any more."

The only thing that hasn't changed in health-care delivery are the doctors themselves. "They think they're so damn smart that they can figure it out," says Isselhard. "It is tantamount to me taking out my own appendix."

Ask for help. "You must have an attorney and an accountant you can trust," says Dr. Joseph Franco, a Chicago area plastic surgeon with his own practice.

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That doesn't mean hiring your cousin who does the family taxes every year, though. "You need somebody who has experience with medical practices," says Isselhard. A local medical society can help you find an attorney and an accountant. So can the state medical society and perhaps the American Medical Association. And don't overlook the obvious. "Talk to other doctors about who their accountants are and are they satisfied," Isselhard says.

Going into private practice takes planning. Franco, for example, always knew he wanted a solo practice. But he also knew he wasn't ready right out of medical school. "I decided to become an employee for the first couple of years," he says. That gave him time to learn more about the business side of a medical practice, as well as save money for when he ultimately made the move.

Do your research

Just deciding where to practice takes planning. Start with the community itself. What are the demographics of the community? Is it growing? Are major employers leaving the area, taking all their employees—somebody's patients—with them? Is the community getting older or younger, and how does that affect your specialty? "You're going to want to go back several years to see the trends," says Isselhard. One place to go

for some of this information is the U.S. Census. Communities pay close attention to the census and they can share what they've learned.

Also, ask around about the fate of other doctors. "You'll want to know if hospital practices are falling apart economically," Isselhard says.

Then there is the way medical care is delivered. Are most of the residents in managed care plans? Is there a huge Medicare population? "If you go to a place where only 10 percent of the patient population has indemnity insurance, you're going to have a hell of a time making ends meet," says Franco.

Look at the medical market and who controls it. "You're going to want to know if it has, say, two major hospital systems that control everything," says Isselhard. "If you're not affiliated with those, are you going to get locked out?" he says.

You'll also want to know how much you're needed. "If you've never been linked to that part of the country and don't have an unusual subspecialty, you aren't going to go in and set the world on fire," says Linda Forman, a consultant in the Chicago area who helps doctors set up practices. Do your homework. Call local medical societies, specialty societies and hospitals and ask how many doctors are in the area and how many of them are in your special-

When John Schoenberger, MD, right, started his practice, he focused on keeping his overhead as low as possible. "I didn't even allow myself the luxury of a medical assistant," he says, which meant he found himself rooming patients, getting vitals, and giving injections.

ty. Hospitals themselves have demographic studies that will help you determine the demand for your specialty. And ask how much money doctors in your specialty are making, and compare it to other parts of the country.

There are even lifestyle questions. Of course, if you hate the cold you might want to steer clear of Minneapolis. But there are other things you might want to know that will affect your life in that location that aren't quite so obvious as the temperature. For example, suppose it looks like you are going to be seeing patients at two or three hospitals. Any commuter can tell you there is a big difference between three blocks and thirty miles apart. "Are you going to be on the road all the time?" asks Isselhard.

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A Timeline of Tasks

Starting a practice takes more time and effort than you might think. Begin planning a year before you hope to open.

One year

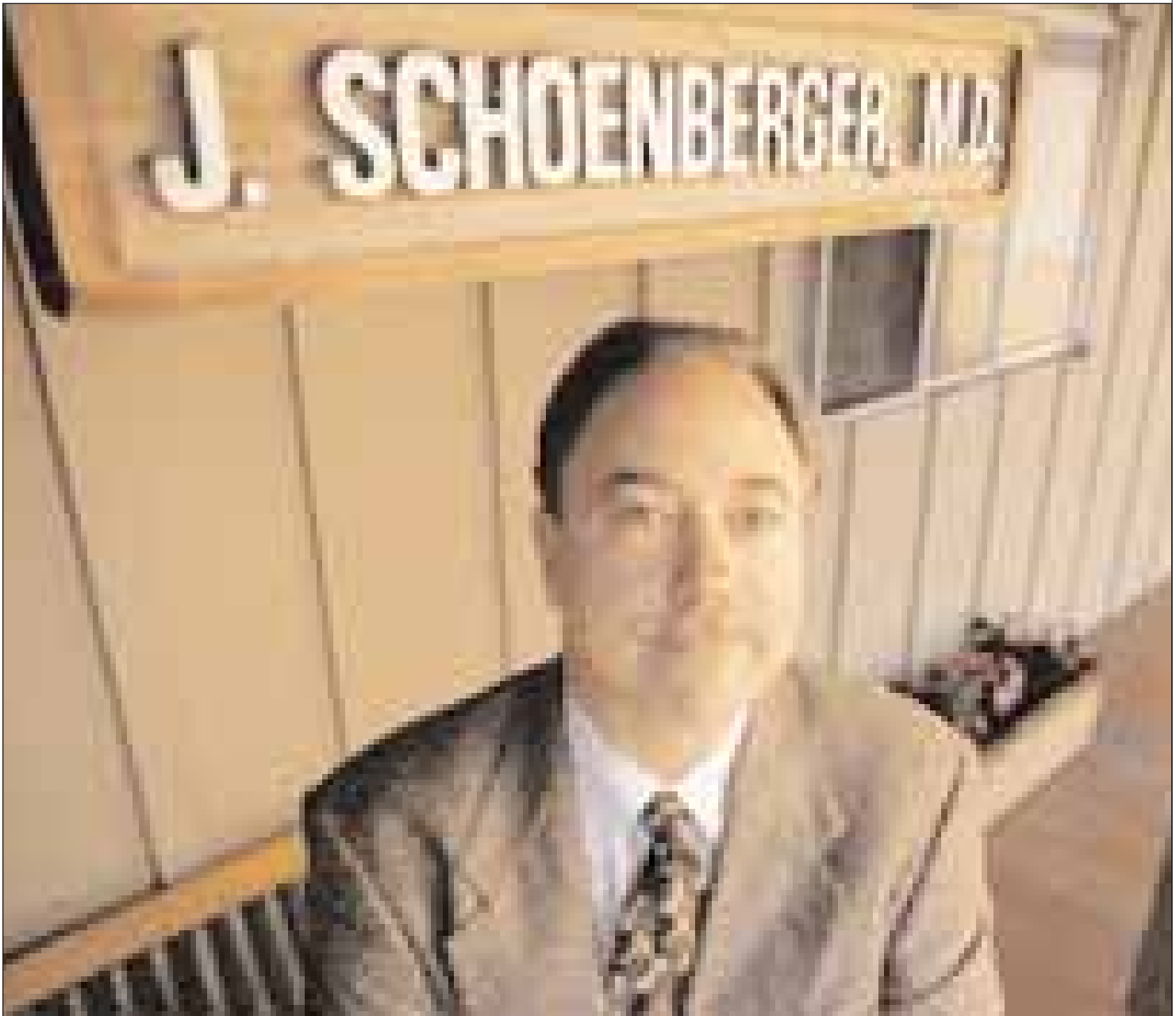
- Determine city where practice will be located.
- Decide group or solo practice. Begin discussions with hospital if opting for solo practice.
- Find attorney, accountant, and practice management consultant.

Six to nine months

- Finalize business plan. Work with accountant to determine cash flow. Apply for loans if applicable.
- Hire billing service if necessary.
- Find office space. Work with landlord or contractor on improvements. Develop timeline for construction.
- Begin choosing office equipment.
- Apply for relevant licenses, federal tax ID number, Medicare and Medicaid provider numbers.

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PHOTO/ TOM SEAWELL

Three months

- Determine staffing needs. Write job descriptions.
- Make sure hospital privileges are in place.
- Obtain malpractice insurance.
- Arrange for utilities.
- Order office supplies, including stationery, medical forms, business cards, and practice announcements.
- Begin marketing yourself to community. Register with appropriate referral services.

- Obtain copies of CPT-4 and ICD-9 books.
- Make sure computer/medical records system is in place.
- Sign up with relevant managed-care plans, if appropriate.

One month

- Phone should be "live."
- Hire and train new employees. One employee should be working now to book appointments and receive supplies.
- Make sure bank accounts are open.
- Send practice announcements to hospitals and other physicians.

Opening day

- See patients.
- Celebrate.

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Getting the money

Setting up a private practice means pulling away the safety net you've had as an employee. It also means, at least at first, making do with less—sometimes a lot less—money. So you're going to have to provide your own safety net. One way you can do that is work some shifts at local hospitals. That not only puts some money in your wallet, it puts you in a place where other doctors can see your work, not to mention remind them you are interested in building a patient base. "If you're working in an office, you can moonlight in a location a little way away," says Forman. "You develop a presence with other doctors."

It sounds simple, but one way to do that is to put yourself in places where you can talk to doctors. "Eat your meals at the hospital, attend hospital meetings," says Forman. "The more you are in front of people the more they will remember who you are."

Do some research. Don't assume that just because you are going to be affiliated with a hospital, you will get all the hours you need to make enough money. "In my specialty, most of the emergency rooms are staffed by so many plastic surgeons that you might get ER coverage once every eight weeks," says Franco. "That's not enough."

Often hospitals will provide financial assistance to new doctors. Sometimes hospitals agree to provide a guaranteed salary for a new doctor. That attracts physicians to the area, knowing they won't have to live hand-to-mouth while getting a practice off the ground. It also provides the hospital with more doctors in a particular specialty.

How this money is paid back varies. Sometimes hospitals will forgive part of the loan if the doctor stays a predetermined amount of time in the area. Sometimes there can be agreements that call for the doctors to begin repaying

the money when they begin making more than the guaranteed salary.

Hospital pockets are not as deep as they once were, however. Factors such as cutbacks in Medicare have hospitals less willing to provide this kind of financial assistance to doctors. But they are still out there. "This is still something they (doctors) should be looking at," he says.

Banks are the most obvious place to get money, and finding one isn't difficult. "Some banks court young doctors," says Forman. "They make a very concerted effort to get into medical schools and hospitals, and sometimes residents have a hard time beating off the banks."

That is why it is important to turn to a consultant or an attorney for help pointing you to a bank that actually knows something about medical practices. Ask other doctors which financial institutions they chose, and what kind of assistance they provided.

But even before you go to a bank, you are going to need some information. Isselhard says hospitals might have information about the costs of setting up practices in their communities. Other doctors can tell you how much money they needed and whether they borrowed more or less than was necessary.

All this information is ammunition you'll need to set up a business plan. But most important, work with a professional. "Doctors come in and say 'I need X amount of equipment,' for example, and we can tell them whether it's better to lease or buy," says Forman.

How much money will come into the practice once it's open is another necessary calculation. Your advisers can help you figure the number of patients and payer mix you can anticipate. Having some kind of idea just how much money the practice is going to bring in can help you determine what you can and can't afford on your wish list. Once you know that, you can begin to make equipment

and staffing decisions.

The costs of starting practices can vary by tens of thousands of dollars, depending on specialty and location. Schoenberger, for example, says it took \$40,000 to set up his internal medicine practice. But doctors in other specialties like plastic surgery can easily spend more than \$100,000 to set up a practice.

Equipment costs are a major factor. The more procedures you want to be able to do in the office, the more expensive it is going to be to equip it.

That leads to the next piece of information you will need to take the bank. Where is the practice going to be located? "Either they will go into a medical building where the space is absolutely fine, maybe needs some sprucing up," Forman says. "Or they're going to want walls moved, plumbing put in, and other major improvements." The second option obviously costs more.

However you get your money, whether you've saved up or you take out a loan, the trick is to keep from digging too deep into your reserves.

When Schoenberger set out on his own, he needed just about everything — office furniture, equipment, and an office to put them in. Like many doctors in large practices, his surroundings had been relatively plush. Now that he was paying for everything himself, he had to assess his priorities. "I leased a very humble office, bought used equipment and used furniture," he says.

Settling on an office is one of the most crucial decisions you'll make and one that, if made hastily, could haunt you for years. "Just don't take a lease and sign it," says Isselhard.

"You want to know all your costs and have them all in writing," says Isselhard. That means finding out if the cost of mowing lawns or trimming hedges is part of the rent. "Are you going to be responsible for paying a gold-plated janitor?"

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Isselhard says. “Are there added maintenance and heating bills?”

According to Forman, if repairs need to be done before you move in, it might be better for tax reasons to have the landlord make the repairs rather than simply pay a contractor. The cost might be passed along in your rent, but it’s better than a big chunk being taken out of your reserves.

Isselhard says it is important to talk to hospitals or others in your specialty to find out just how many things like light fixtures, computer hook-ups, and sinks you need. And he says, “Let the landlord do the work to design it and then get a second opinion.” He suggested asking other doctors for names of contractors who have remodeled their offices. “You can have one of them (contractors) look over your plans,” he says.

It is also important to know what will happen to the lease in the event you are disabled or die. “If a guy dies, is his estate going to have to pay his rent for the last five years of the lease?” Isselhard asks. If you are incorporated, it may be wise to lease the office in the corporation’s name rather than your own.

Schoenberger also had to lower his sights when it came to a staff. “From the beginning my focus was to keep my overhead as low as possible,” he says. With that in mind, he started out with only one employee. “I didn’t even allow myself the luxury of a medical assistant,” he says, which meant he found himself rooming patients, getting vitals, and giving injections — all chores in a bigger practice that fall to somebody other than the doctor.

Schoenberger did something else. He decided what kind of practice he wanted before he ever opened his doors. “I didn’t sign any managed-care contracts and that was intentional,” he says. “That was one of the reasons the practice was slow in getting started. Quite a few patients I

was seeing in my previous practice weren’t able to follow me here.”

If Schoenberger was prepared for what would happen without managed-care patients, doctors who will see those patients have to be prepared too. A doctor who hangs a shingle and then goes about signing up with managed-care groups and insurance companies is a doctor who is going to wait for months, sometimes as long as six months, to start getting paid.

Paper, paper, paper

To get money flowing into the practice on time, it is important to have all necessary paperwork done well in advance of your scheduled opening. You’ll need months to register with the managed-care groups and insurance companies. The hospital you’re affiliated with can give you the names of the managed-care plans it is on. And don’t assume after you call them, request a credentialing application and send it back that you are going to be accepted. “There are some managed-care panels that are closed to you. You can’t get on them,” says Franco.

So give yourself time to find panels that are open to you as well as apply for such things as a federal tax identification number, Medicare and Medicaid numbers and other bureaucratic hoops that must be jumped through before you can start seeing patients.

Attaining staff privileges at a hospital can take six months to complete. If you’re already in practice, that isn’t a problem. But when Dr. Todd Fralich was completing his residency and went looking to apply for staff privileges, he found something of a catch-22. “The hospital wanted me to have an office and a phone number to give me staff privileges,” he says. Fralich chose instead to move from Chicago to Florida and join another doctor’s practice.

If it all sounds difficult, it is. But for

those who have done it, the rewards far outweigh any problems — for the patients as well as the doctors. “They don’t want to go to a clinic, they don’t want anonymity,” Schoenberger says. “When they call they want to know who they are talking to, and that who they are talking to recognizes them.”

As for himself? “Now I have the luxury of talking and listening to patients,” he says. “It is much more fun and rewarding. I am enjoying it more and my patients can tell.” ■

Don Babwin is a writer for the Associated Press.