



v

# STARTING A HEALTHCARE PRACTICE



The Future of Healthcare. Simplified.

# CONTENTS

**INTRODUCTION:** pg 4

**TIMELINE** pg 6

**PHASE ONE:** pg 7

## **LAYING THE GROUNDWORK**

YOUR START-UP TEAM .....	8
BUSINESS PLAN.....	13
CORPORATE FORMATION.....	17
SELECTING A NAME.....	14
CHOICE OF LEGAL ENTITY.....	14
TAX IDENTIFICATION NUMBER .....	14
FEDERAL STATE & LOCAL REGISTRATIONS.....	15

## **PHASE TWO: LOCATION, REIMBURSEMENT, TECHNOLOGY AND STAFFING:** pg 16

SELECTING AND SECURING AN OFFICE LOCATION.....	17
PAYOR CREDENTIALING AND CONTRACTING .....	18
PRACTICE MANAGEMENT, SOFTWARE & SERVICES .....	20
STAFF .....	21

**PHASE THREE: KEY VENDORS,  
INSURANCE, COMPLIANCE: pg 22**

PRACTICE VENDORS.....23

EQUIPMENT, SUPPLIES &  
DECOR..... 23

INSURANCE..... 24

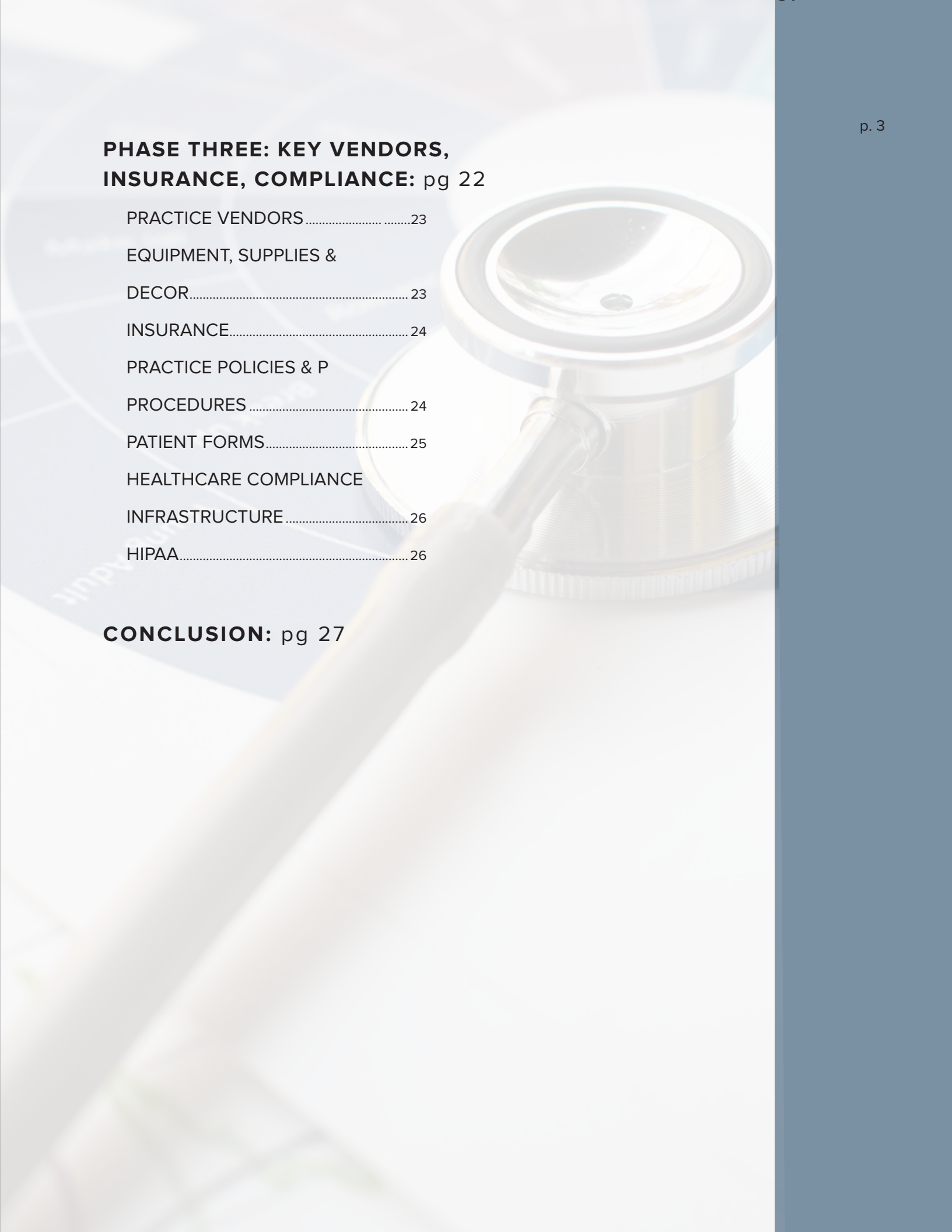
PRACTICE POLICIES & P  
PROCEDURES ..... 24

PATIENT FORMS..... 25

HEALTHCARE COMPLIANCE  
INFRASTRUCTURE ..... 26

HIPAA..... 26

**CONCLUSION: pg 27**







**INTRODUCTION**

Nixon Law Group has relied on the input of its expert affiliates, partners, and colleagues in the development of this guide. While not every practice will require every process or task discussed herein, healthcare entrepreneurs of all shapes and sizes can use this guide as an outline to help them develop the foundational plans for launching their healthcare practice. The most important of these is a Business Plan, the components of which are described herein.

We have also asked several of our clients who came to us after choosing the wrong team or taking a “do-it-yourself” approach to starting their practices. We wanted to know what lessons they learned, and what they wish they had known. One client in particular was able to articulate the message we’ve heard from so many. If you see yourself in this physician’s story, you are not alone!

*“Three years ago, I set out on a venture to open my own practice. I spent over \$1,000 just to create an entity and then spent much more in the ensuing months to put together a business. I spent countless hours trying to understand what I needed to do. And after it all, I felt a subtle discomfort not knowing if everything I was doing was legal or the best method. I received lots of advice, but very little concrete details, and the devil is in the details. I learned so much from this process and made many mistakes. Knowing what I know now, this would have been worth the investment [in expert advice] for sure! It is nothing compared to the time saved and mistakes avoided.”*

-Dr. John Josephson, Eye Specialists & Surgeons of Northern Virginia

Our goal for this publication is to demystify the process for clinicians, and to provide insight into the people, processes, and materials needed to launch a successful and sustainable healthcare practice. If you’re planning to do so, you should be prepared to think of yourself as an entrepreneur—a startup business owner. This role is completely different than what you’ve spent many years training to do as a clinician—provide the highest quality care to your patients. We have seen many clinicians struggle and then master these dual roles, and we know you can too! We hope you find value in the shared knowledge reflected in this guide. We will continue to build upon and improve its content based on our continuing experience helping clients in their healthcare entrepreneurship journey.

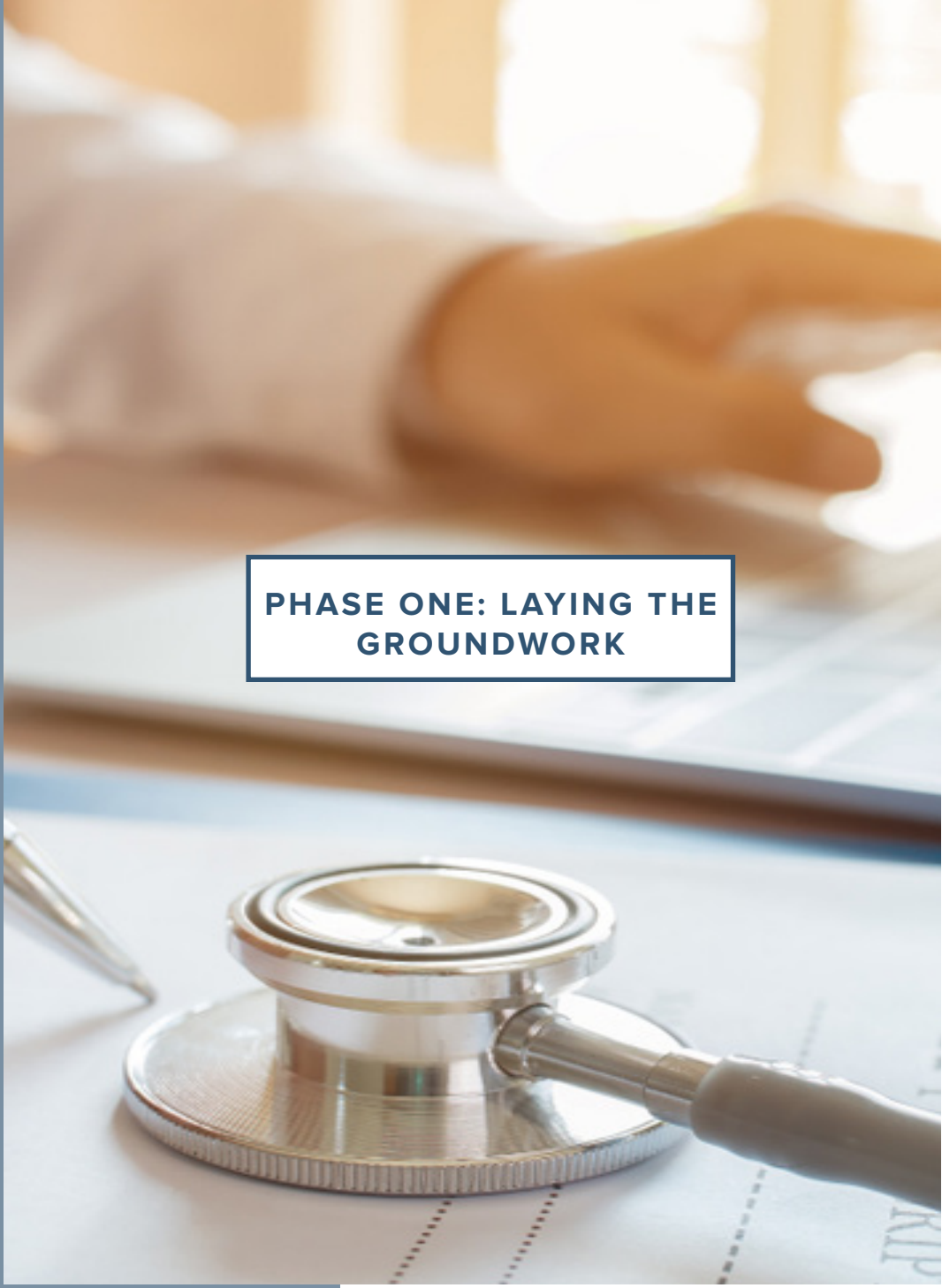
## TIMELINE: SETTING REASONABLE EXPECTATIONS

New practices require a significant amount of planning and implementation work before they can be ready to accept new patients. Healthcare entrepreneurs should set a practical and reasonable timetable for the opening of their practices that allows for this necessary pre-launch work to take place. The lead time needed to start a new practice varies by type and complexity of practice, as well as the bandwidth of the founder(s) to complete necessary tasks. For instance, are the founding clinicians currently employed full time? Is the practice a psychotherapy practice, requiring minimal equipment, separate licenses and supplies? Is the practice a cardiology practice or internal medicine practice, which is significantly more complex? Will the practice be solely owned or are there multiple partners who need to come to agreement on the structure of the practice? The answers to these questions are variables upon which a reasonable timetable depends.

## BUDGET ABOUT 6 MONTHS TO START A PRACTICE

That said, for a sole practitioner, we recommend beginning the process in earnest at least six (6) months before your planned start date. For multiple practitioners, the timeline will likely be longer. If the practice does not plan to accept insurance, the timeline can be much shorter. Nixon Law Group has organized this guide chronologically by task, breaking the process into three main phases. We recommend familiarizing yourself with this process as soon as possible so that you can establish reasonable expectations for all parties involved at the very outset.

**PHASE ONE: LAYING THE  
GROUNDWORK**



## YOUR STARTUP TEAM

Starting a new practice is a team sport, and each member of the team has an important role to play. It is important that your entire team is aware of the unique requirements and risks for healthcare providers. Ideally, each professional that you choose to support you should have experience helping clinicians start and/or run their own businesses. Key members of your StartUp Team should include:

### **1. Healthcare Business Banker.**

Many banks have professionals on staff who specialize in helping healthcare practices with their specific needs. Your healthcare business banker will not only assist you in establishing your business bank accounts, but she may also help you understand your options for qualifying for financing to purchase or lease real estate, equipment, and to fund startup expenses. A Healthcare Business Banker can also help you understand whether you might need a line of credit (LOC) to help even out cash flow in the early years of your practice. It helps to have a personal relationship with an individual at your bank of choice. They will be your advocate, and in some cases will also provide ongoing education and advice based on their work with other practices.

### **2. Healthcare CPA and Bookkeeper**

The range of services provided by certified public accounting (CPA) firms can vary. For your practice, you will need a CPA professional who can discuss the tax implications of choice of corporate entity, personal and employee compensation, and methods for tracking revenue and expenses to minimize your tax liability. That same individual or CPA firm will also do the “nuts and bolts” work like preparing tax returns, helping you pay annual



and quarterly taxes, preparing readily understandable financial documents like Profit and Loss statements, accounts receivable, and balance sheets, all of which should help you monitor the performance of your business on a monthly basis. Some CPA firms employ bookkeepers to perform the non-tax-related work such as keeping financial ledgers, paying bills, entering payments, and running payroll. You might also choose to hire an independent bookkeeper; however, if you choose to do so, you should be sure that your bookkeeper and CPA are willing to coordinate their efforts on your behalf. include:

### **3. Healthcare Attorney**

An experienced Healthcare Attorney – not just a general business or corporate attorney - is key to establishing your practice with a strong foundation of compliance from the very beginning. Healthcare is a highly complex and highly regulated industry, with pitfalls that can trip up the unwitting practitioner at serious consequence. This attorney will help you negotiate all vendor (e.g., EMR), payer, equipment and sale/lease contracts, draft employment and independent contractor agreements, draft operating agreements, shareholder agreements, bylaws, buy-sell agreements, and more. Your Healthcare Attorney may also be able to draft standard policies, protocols, and employee handbooks. To read more about why it is so important to have a Healthcare Attorney help you start your practice, see our blog post [Do I Really Need a Healthcare Attorney?](#)

#### **4. Healthcare Practice Consultant.**

Some healthcare entrepreneurs may benefit from assistance with the operational aspects of setting up a practice. Healthcare Practice Consultants can help new practices:

- (a) Develop a budget and business plan
- (b) Coordinate payer credentialing
- (c) Identify vendor partners for healthcare equipment, supplies, lab services, billing/revenue cycle management services, phone and computer software and hardware, buildout/ construction, marketing/web site, etc.
- (d) Identify and hire non-clinical staff
- (e) Provide required notices and forms (OSHA, HR, etc.)

#### **5. Insurance Broker.**

As we will discuss in more detail below, there are several types of insurance coverage available to offset the risks of running a healthcare practice. An experienced insurance broker specializing in serving clinicians (especially for professional liability “malpractice” insurance) can help practices manage risk, and may also offer incentives such as free continuing education events.

## 6. Employee Benefits Broker.

For practices that will be providing benefits for employees (e.g., health insurance, retirement plan) an experienced benefits broker can advise you about available options and will help you administer these on an ongoing basis.

## 7. Financial Planning Advisor.

Putting away income tax-free is one of the major advantages to owning a business. An experienced Financial Planner can assist healthcare entrepreneurs in structuring retirement plans to take full advantage of opportunities to set aside money in a tax advantageous manner. These consulting services are free of charge—their cost is wrapped into the fees for the plans chosen by the provider.





## BUSINESS PLAN

The Business Plan is the backbone of any new practice. It will include a statement of your practice's mission and goals; a budget for staffing, office space, equipment, and other costs, along with profitability projections; a market analysis; a description of services offered; a marketing plan; and key aspects of regulatory compliance.

***PRO TIP: An experienced Healthcare Practice Consultant can assist practices in developing the Business Plan, including providing standard volume and pricing inputs.***

## CORPORATE FORMATION

Once you've assembled your team, it's time to get started! One of the first items you'll want to tackle is legally forming your company. Your CPA or Healthcare Attorney can assist you in this process. Before one can legally form a company that will run a healthcare practice, you'll need to select a name and to choose the appropriate legal entity.

***PRO TIP: You do not need to choose your public facing name at this stage. You can choose a name for state registration purposes and then file a different name or "d/b/a" at a later stage, as long as you comply with your state's rules regarding filing fictitious names. Comments below about choosing a name are relevant to the public facing name you ultimately choose for your practice.***



## SELECTING A NAME

It is important to choose and register with the State a unique name for your practice—for both legal and business purposes.

1. You cannot register a non-unique name with the State (and therefore cannot form a corporate entity)
2. If you choose a non-unique name or logo, you could be infringing on another company's trademark
3. If you choose a non-unique name, it could be difficult to market your practice without causing confusion for potential patients.

*\*\*Be sure to have your Healthcare Attorney verify that your chosen name is permissible according to your State's regulations.*

### **Choice of Legal Entity**

Your CPA and Healthcare Attorney should coordinate with you to select the legal entity that makes the most sense for you and your practice. Your CPA will advise you about the pros and cons of different types of legal business entities from a tax perspective. Your Healthcare Attorney will discuss which structures might be best from a legal liability perspective. The most common legal entities for healthcare practices are Professional Limited Liability Companies and Professional Corporations.

## TAX ID NUMBER

To enable a practice to file taxes, establish bank accounts, and register with federal, state, and private payers, you will need to obtain a Federal Employer Identification Number (also known as a Tax Identification Number or "TIN") from the IRS. You or your Healthcare Attorney can apply for a TIN online.

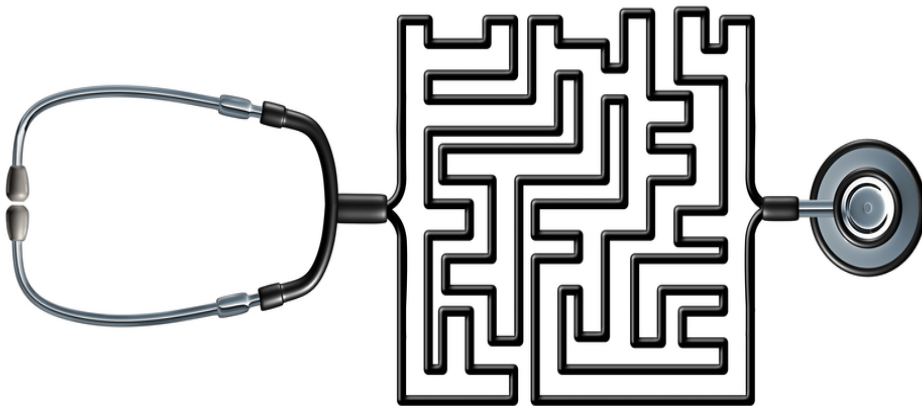
## FEDERAL, STATE AND LOCAL REGISTRATIONS


Depending on the services the clinician would like to perform in his or her practice, and whether the practice is taking insurance, the below registrations may or may not be required.

- National Provider Identification (NPI) – individual (Type 1) and entity (Type 2)\*
- Federal Drug Enforcement Agency (DEA) Registration
- Board of Pharmacy Registration
- Clinical Laboratory Registration (CLIA)
- X-Ray Registration, Inspection and Certification
- Board of Medicine Registration (if forming a professional entity)
- Local Business License (if applicable in your State)

*\* Any clinician that wishes to bill insurance needs an NPI.*

*Changes to any of the required information furnished during the NPI application need to be reported to the NPI Enumerator within 30 days of the change.*





**PHASE TWO: LOCATION,  
REIMBURSEMENT,  
TECHNOLOGY, STAFFING**

## SELECTING AND SECURING AN OFFICE LOCATION

Healthcare practices come with unique requirements for space and location. A broker with experience leasing space or selling real estate to healthcare professionals will save you time and effort in identifying appropriate office locations/spaces for your practice. In addition, it may be beneficial to locate your practice near other healthcare professionals—for instance, as part of a healthcare office park. These brokers will be familiar with the pros and cons of specific locations. If you are unable to identify an experienced healthcare real estate broker, a well-respected commercial real estate broker is a good second choice.

If you want to “do it yourself”, try the online site LoopNet, a popular site for searching commercial properties.

If you need to retrofit your current location, or you are building a space from the ground up, your timeline for opening is likely to be extended to accommodate for construction/renovation timing and delays.

You’ll need to name the location in your credentialing paperwork, so identifying your likely practice location should be one of your early priorities.

***PRO TIP: There are different types of commercial leases – some are “full service” and include all taxes, utilities and insurance. Others are “net” of these items. In addition, there is often a good bit of room to negotiate with commercial leases. This is where a commercial broker or a Healthcare Practice Consultant can be of significant benefit. DO NOT sign a lease or contract for sale without having a Healthcare Attorney review the document for hidden liabilities, key negotiable terms, any potential fraud and abuse implications.***

## PAYOR CREDENTIALING/CONTRACTING

It is important to choose and register with the State a unique name. If your healthcare practice will be accepting cash from patients, please move to the next section. If, however, you would like to accept insurance payments, the practice and/or its clinicians must be “credentialed” with each public/private payor from which it wishes to accept insurance payments. The credentialing process is a common hold-up for new practices and can take more time than expected. It is not uncommon for complete credentialing to take six months or more, so clinicians should begin the process as early as possible—as soon as you have your TIN, NPI, and location—in order to avoid having to push back the practice’s “go-live” launch.

During this process, payors will provide their standard contract. This contract contains requirements practices must meet in order to receive reimbursement, and maximum reimbursement rates for patient care. You will need to develop your practice’s internal fee schedule (applicable to all patients regardless of payor), which is usually based on a multiple of the Medicare reimbursement rate. Payors will only pay up to the amount in their fee schedule.

***PRO TIP: Begin by identifying which payor(s) serves the most patients in the geographic location of the practice. A Healthcare Practice Consultant can assist you with the overall credentialing process.***

***PRO TIP: An experienced Healthcare Attorney must review the terms of payor contracts to identify potential risks and terms that may require negotiation. Contrary to popular belief, payors may negotiate certain terms within their “standard” contracts, though reimbursement terms may be easier to re-negotiate after the practice has established a track record of high quality care and value.***



*PRO TIP: The practice will need to develop its own internal fee schedule, which is usually based on a multiple of the Medicare reimbursement rate. Payors will only pay up to the amount in their fee schedule, but the practice should have a single fee schedule it uses to submit billings.*



## PRACTICE MANAGEMENT SOFTWARE AND SERVICES

Depending on the type of practice, the specialty, and the complexity of operations, practices may require several software solutions to facilitate efficient and effective operations. Software is available for both local and cloud-based use, depending on practice preference. Common types of practice management software are included below. Some solutions may be combined into a bundled offering, rather than purchased separately.

- Electronic Health Record
- Patient portal
- Billing software (often built into EHR)
- Billing and coding specialists
- Clinician/Patient scheduling
- Practice Performance Analytics
- Telehealth Technology
- Inventory Management (for supplies and medications/vaccines)
- Payroll/Accounting

***PRO TIP: Practices should develop and implement policies and protocols for staff regarding how to properly use purchased software as part of practice operations. A Healthcare Practice Consultant or Healthcare Attorney can assist you in selecting practice management software.***

***PRO TIP: Your Healthcare Attorney should review any vendor contracts prior to signature by your practice. Your EMR and Practice Management platforms represent significant expenses to your practice, and the terms associated with these contracts are highly complex and (again, contrary to popular belief) negotiable. Review and negotiation by a Healthcare Attorney can reduce your risk and save your practice money in the long run.***

Many practices start out with one or two full time or contracted employees—often one clinical support professional and one front desk support professional, who works with the owner to manage the practice. In some cases, when billing isn't outsourced, there may be a part time medical biller and/or practice manager. Once a hiring plan is developed, you should develop clear job descriptions and begin to advertise and interview. You'll also need standard notices and policies and procedures in place to comply with state and federal law and to mitigate risk of adverse employee actions.

You will need to determine how to pay staff and what kinds of benefits the practice will provide. An employee benefits broker can walk through benefit design and pricing.

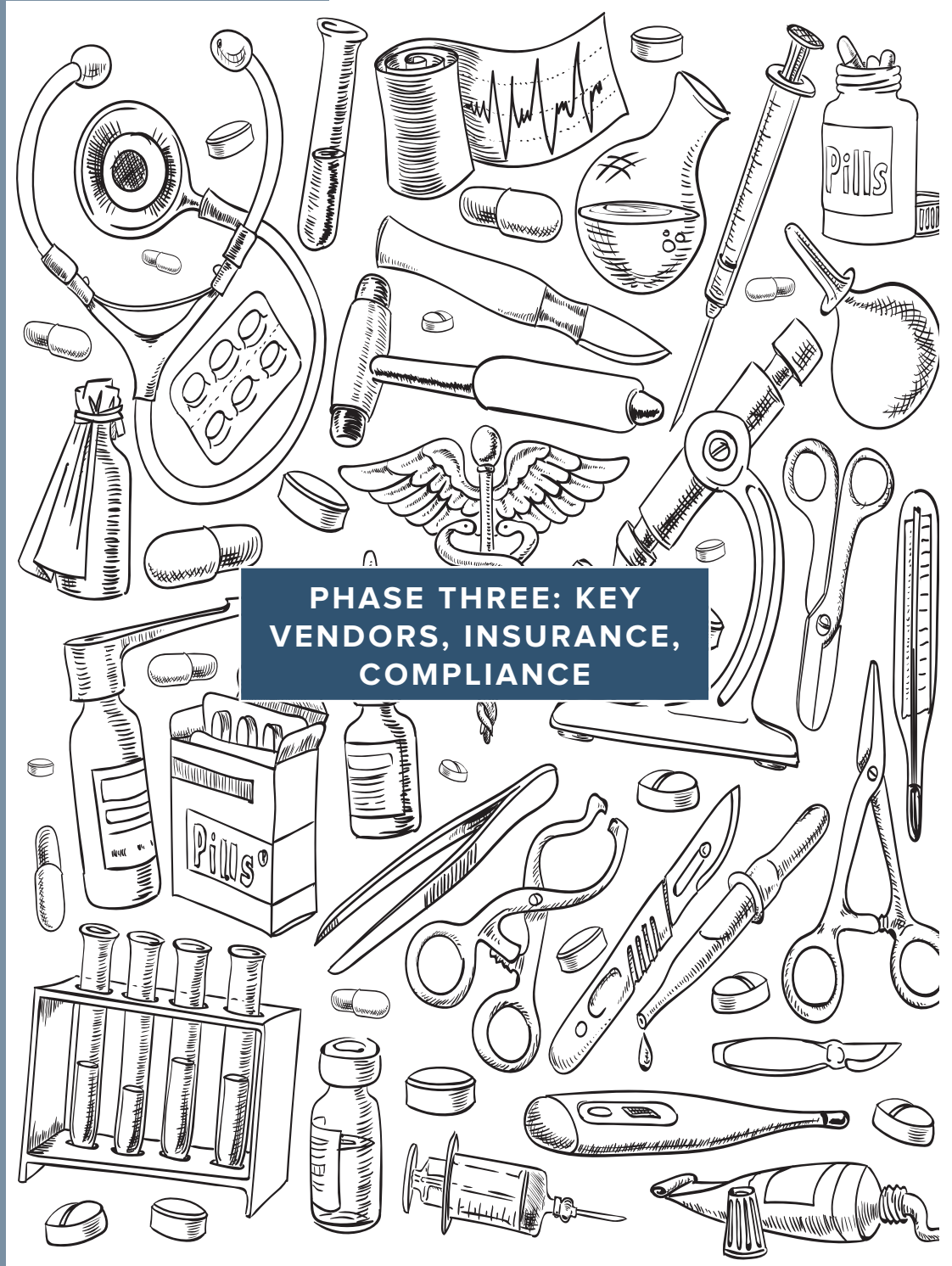
Your Healthcare Practice Consultant can help you develop a hiring plan, develop job descriptions and salaries, develop OSHA compliance plans, and provide mandatory notices for display at the practice.

An experienced Healthcare Attorney can develop employment contracts, review former employment contracts for non-compete and non-solicitation terms, develop employee handbooks, and provide advice regarding employee reviews, standards disciplinary documentation, and training.

***PRO TIP: Businesses with 10 employees or fewer are exempt from OSHA.***

***PRO TIP: Practices should develop policies and protocols for staff—this includes scheduling and phone etiquette, dealing with requests for medical records, dress code, billing and coding, collections, acceptable office conduct (toward patients and between staff members), dealing with questions regarding insurance coverage, tracking patient documentation. Some of this may be captured in an employee handbook.***

***PRO TIP: As a business owner, you should consider involving a retirement plan consultant who can help you understand the opportunities to maximize your tax-free or tax-deferred savings. This can be a significant benefit to you as the business owner while at the same time serve as a tool to attract and retain talented staff.***



PHASE THREE: KEY VENDORS, INSURANCE, COMPLIANCE

## PRACTICE VENDORS

You may need to engage a variety of vendors to serve your practice, such as:

- Medical waste removal services
- Shredding services
- Laundry services
- Office cleaning services
- Telephone and answering services
- Internet services
- Laboratory services
- Utilities
- Credit cards
- IT Support
- Web Site Maintenance

## EQUIPMENT, SUPPLIES & DECOR

Your practice may require the following types of supplies:

### **Supplies**

- Vaccines
- Pharmaceuticals/Biologics/Biosimilars
- Medical supplies
- Staff Uniforms
- Marketing materials (business cards, fliers/brochures)
- CPT and ICD-10 Books
- Office supplies (paper, pens, tape, scissors, prescription pads)

### **Equipment**

- Office equipment (monitors, fax machine, printers, exam tables, check-in kiosks)
- Medical equipment (x-ray machine, imaging machines, ultrasound)
- Exam equipment (b/p cuff, pulse ox, glucometer, otoscope, etc.)

### **Decor**

- Artwork
- Furniture
- Magazines and/or TVs for the waiting room
- Health information (video and print)



*PRO TIP: Supplies may be ordered online, through catalogs, or through sales reps. You might also consider joining a Group Purchasing Organization (GPO) to reduce costs. Your Healthcare Practice Consultant*

## INSURANCE

Providing clinical care carries unique risks for entrepreneurs—i.e., malpractice risk. In addition, any business that serves members of the public have similar risks—e.g., “slip and fall” risk. One way to reduce risk is to set up the practice with compliance in mind. A second way to reduce risk is to carry appropriate insurance to offset the risks. Clinicians may want to consider the below types of insurance:

- Professional Liability (Malpractice)
- General Liability/Commercial
- Cyber-liability
- Short-Term and Long-Term Disability
- Life Insurance
- Health Insurance
- Supplementary coverage
- Worker’s Compensation

*PRO TIP: An experienced insurance broker specializing in healthcare practices can help you determine which coverages are most appropriate for your practice. A Healthcare Attorney should review all insurance policies with you to make sure the coverage is sufficient (especially taking into account state statutes of limitations for medical malpractice actions) and to make sure you don’t experience gaps in coverage.*

## PRACTICE POLICIES AND PROCEDURES

### **Patient Forms**

Healthcare practices often require standard forms (such as the CMS 1500 Health Insurance Claim Form). Practices should gather and print these standard forms for staff use. These forms should include your patient

intake/registration forms, sign in forms, Medicare forms (e.g., ABN), patient agreements (for cash-only practices), patient satisfaction forms, assignment of insurance benefits, authorization for the release of medical records.

## HEALTHCARE COMPLIANCE INFRASTRUCTURE

### **HIPAA**

For practices that will be submitting claims electronically (nearly all practices), HIPAA applies. HIPAA requires that you abide by a set of regulations regarding the privacy and security of patient information. Practices must implement a series of administrative, technical, and physical security measures. In addition, practices must develop detailed policies and procedures, training documents, and forms (e.g., Notice of Privacy Practices). There must be an individual at the practice that assumes primary responsibility for HIPAA compliance. Depending on the state in which the practice is located, there may be additional healthcare information privacy and security standards.

Your Healthcare Pstartup Consultant and Healthcare Attorney can develop appropriate documentation to build your HIPAA compliance program. Once the program is established, a Security Risk Assessment (SRA) should be conducted, and the vulnerabilities identified by the SRA will need to be mitigated.

***PRO TIP: Compliance, including HIPAA compliance, is not something you can do once to “check the box”. It is an ongoing task, which needs to be prioritized by leadership. Ongoing training and regular staff incident debriefs and reminders are the best way to maintain an effective compliance program.***

### **Marketing and Networking**

In order to grow its patient base, a healthcare practice, like any other business, will need a plan to market and advertise its services, as well as connect with potential referral sources.

Key considerations for a marketing plan might include:

- For specialist providers, identify practice referral sources and visit their offices to introduce yourself.
- Developing a web site that it optimized for key word searches related to the practice type and its services
- Developing advertising pieces for local media outlets (newspaper, magazine, radio) targeted to practice’s patients
- Developing relationships with local broadcasting (radio and television) stations for segments on practice’s services or special knowledge
- Hosting “lunch and learn” or other types of public information sessions
- Obtaining medical staff privileges at local hospitals and/or alerting hospitals that a new practice or physician exists in the community to serve its patients
- Sponsoring a local charity or sports league whose audience includes likely patients or referral sources
- Participating in relevant associations (like MGMA or medical/clinical associations) or business networking groups (like the Chamber of Commerce)
- Notifying patients of prior practice of the move (\*make sure this would not violate former employer agreement)

In addition, the practice should develop its logo, design aesthetic, colors, letterhead, signage, and other key “branding” characteristics to include in all marketing and advertising. This can be done in-house, or the practice could engage an outside marketing/branding firm.



***PRO TIP: Before choosing the method or methods of marketing and advertising, the practice should first identify its target patients and target referral sources. The practice should also be aware of its primary competitors and work to differentiate itself from them for patients.***

## CONCLUSION

Starting a healthcare practice requires that the founding clinicians establish a strong foundation in finance, operations, and compliance. In the highly regulated healthcare industry, the barrier to entry is high, but for those who are appropriately prepared, surrounded by a qualified team, there is tremendous opportunity. In addition, options for differentiating healthcare practices abound. More and more practices are innovating in payment and care delivery—e.g., telemedicine, concierge and direct primary care. No matter what your vision of practice includes, we hope that this guide helps to lay the foundation you need to plan appropriately for your foray into healthcare entrepreneurship.

---

*If you have questions or are seeking a qualified Healthcare Attorney, please contact us at **contact@nixonlawgroup.com**. With offices in Richmond and Northern Virginia, Nixon Law Group works with healthcare entrepreneurs to help them start their own practices. We have developed a set of “Healthcare Entrepreneur Services”. For more about these services and the Healthcare Entrepreneur Fee Schedule, [visit our website](#).*



**Rebecca E. Gwilt, Esq.**

rebecca.gwilt@nixonlawgroup.com  
 (804) 723-6156 (o)  
 (757) 846-4936 (c)



**Carrie Nixon, Esq.**

carrie.nixon@nixonlawgroup.com  
 (703) 795-9763 (c)



The Future of Healthcare. Simplified.