

Transcript Details

This is a transcript of an educational program. Details about the program and additional media formats for the program are accessible by visiting: <https://reachmd.com/programs/clinicians-roundtable/tips-for-starting-a-new-practice/4474/>

ReachMD

www.reachmd.com
info@reachmd.com
(866) 423-7849

Tips for Starting a New Practice

Dr. Larry Kaskel:

Decisions on practice philosophy, finances, marketing, and much more are yours to make when starting your own medical practice. That's the good news. But it can also make the prospect of setting up your own shop seem extremely daunting from picking a location to creating a business plan, seeking expert advice on accounting, credentialing, legal issues. How do you put it all together to create a successful private practice?

You are listening to ReachMD, a channel for medical professionals. Welcome to the business of medicine, I'm your host Dr. Larry Kaskel. My guest today is Dr. William Hutton, Founder and Chairman of the Board of MedSynergies, a medical practice management firm based in Irving, Texas. Dr. Hutton, welcome to the show.

Dr. William Hutton:

Thank you, Larry.

Dr. Larry Kaskel:

So doctor, turned consultant, you know, a physician coming out of residency has kind of been in a prolonged state of adolescence and may not have the most self-awareness of themselves, so when they come out how can they make an intelligent choice about whether or not a private practice is for them or a solo practice is for them? How do they know if they even have what you need to do it?

Dr. William Hutton:

I agree, they've been in kind of a cocoon or a bubble and protected. But generally during that period they've worked with people in town, they've had exposure to not only the academic world, but often to some degree to private practice and many of them of course moonlight and do some other things along the way, so I don't think they are entirely innocent. But you're right, their function has been on...they've been thinking about the clinical side of it and now they are thrown into trying to understand the business side. More importantly they hopefully have developed a philosophy that can help guide them as to what they want to do because to my mind that's probably more important than anything else, knowing what they want to be when they grow up.

Dr. Larry Kaskel:

Right, well you know, I'm 47 and I'm still trying to figure that out.

Dr. William Hutton:

Well, I'm 68 and I haven't either and I don't want to grow up, I think it'd probably be boring.

Dr. Larry Kaskel:

I think the average doctor makes three to five moves before he really settles into where he ends up. So to say okay, well, I think you should go into private practice, that might be too much to bite off to begin with.

Dr. William Hutton:

I think if you look at trends and I just happen to look at this recently, over the last ten years for instance the solo physician, the numbers have decreased around eight percent or so where more and more physicians are going into groups or aggregating into groups of larger groups. Medical school groups have joined, even community health has increased, so there has been that move away from going into practice directly.

Also, if you think about starting a practice the tremendous amount of government regulations, understanding OSHA and _____ (3:04) and all the things it takes to start a practice and the cost and the difficulty right now of getting credit for a period, does make it difficult. It's

not impossible however, and it's done all the time.

Dr. Larry Kaskel:

You know, these guys are coming out with a significant amount of debt already and to take on more debt seems to me not a very good business decision. I would say, you know what, join a group, put your dues in, learn the business and then come see me and I'll help you start your own practice.

Dr. William Hutton:

If I look at the area in Dallas where I'm a little more familiar, most of the people going in by themselves are leaving another group. They're doing exactly what you said. They started with someone, it didn't work out or for some reason they want to leave. However, we do have some examples of guys who started right out of their residency and they're doing quite well.

Dr. Larry Kaskel:

So give me a story, give me a success story that you were involved with.

Dr. William Hutton:

We have a couple guys that left residency. They wanted to have their own practice. One of them approached a guy to join him. The fella was just not interested in having a partner, but he wanted someone in the area, so he almost acted like his mentor, helped him start up. The fellow doing this tended to outsource most of his HR and a lot of his business services, so he didn't have a lot of upfront money and he was able to start off the practice and gradually grow it and has done quite well.

Another fellow fortunately had some money available to him and he was actually able to buy a practice and able to then build that up. It's kind of a special situation, but those do exist. Most of them, as you say, are guys who are leaving, but even then it's a daunting process, they have to start again. They have to find the people, employee them, get the employment manuals going, they have to be re-credentialed usually again, so they have a period where their finances are in jeopardy. So, even if they've put together some money they probably still need to have a line of credit and they need to have some business support.

Dr. Larry Kaskel:

If you've just tuned in, you are listening to the Business of Medicine on ReachMD, a channel for medical professionals. I'm Dr. Larry Kaskel, your host.

I'm talking today with Dr. William Hutton, physician turned Founder and Chairman of the Board of MedSynergies, a medical practice management firm based in Irving, Texas, and we're talking about the planning phases of starting a medical practice.

Dr. Hutton, what do you have to say about the old expression that it's all about location, location, location in terms of a physician's practice? Is it important where you set up shop, and what goes into choosing that location or what should you be thinking about?

Dr. William Hutton:

I think location is very important. Even if there is a decision tree, and I think there is a decision tree in deciding what you want to do, number one is what I would call the issue of style. What do you want to do? What kind of a practice do you want? What kind of a person are you? How aggressive are you? Because that also determines who you partner with and so forth, if you decide to partner.

So, number one is your lifestyle is most important in which case the location of the practice may actually, whether it's going to be a heavily successful practice, may be secondary to just where you want to be.

Dr. Larry Kaskel:

So first it helps to know, okay, I like to go skydiving every weekend and mountain climbing, so I'd like to live somewhere where I can do that?

Dr. William Hutton:

Right. And you may have to make sacrifices for that or you may wish to be employed where you have time to do that. You may also be someone though that's come out and now you feel you want to be on the cutting edge of whatever your specialty is. So, now what becomes important is can you be supported in doing that? And that has to be balanced against, let's assume that you're married or planning to, and your spouse and family concerns.

Dr. Larry Kaskel:

So you brought that up, how important is it to be as far away from your in-laws as possible?

Dr. William Hutton:

Well, that can be quite important. I'm not sure. I've heard that most guys tend to, however, go home again. So maybe I guess they want to be near their in-laws. I think there is this familiarity. If you look at where people go to practice, they tend to go back to their home or

where they trained and they'll stay around there. Or there are these lifestyle issues, there are the guys who want to go hiking every day and they'll end up in Aspen, Colorado.

Dr. Larry Kaskel:

You talked about adding the partner or choosing to have a partner. To me it seems like a total crap shot because it's kind of like when you date your wife, you both kind of put your best foot forward, you both misrepresent yourself and then you get married, and then reality hits. So, it's kind of a crap shot who you get as a partner.

Dr. William Hutton:

I guess it could be. I think it's a waste of time. I understand this four to five times moving, but I think what that really reflects is the very poor judgment of people.

Dr. Larry Kaskel:

Right. I have a friend who's had three different groups, and every group it turns out his partner ends up to be a drug addict and he has to leave and go on and look for another group and it's happened three times. So, either he really makes some poor decisions or there's a lot of drug-impaired physicians out there saying that they're fine.

Dr. William Hutton:

Yeah, well, I think you know the answer to that. So, I think you can find out something about it and again this goes back to the style. To start out with you may have a guy who's just a wonderful fellow, maybe you even knew them in training or at some time, and you want to be with him, but they have a completely _____ (9:02) idea of what the practice will be like. Well, you can get along with him, but the reality is you probably won't stay there because at some point it's going to come up against him, you want to do things one way, the other guy's doing it the other way. He's the senior fellow, you're going to leave and start your own practice. So, you kind of know that up front and should take that into consideration.

I think you can search out what these guys are doing and what they're like, at least get a better idea, but you're right, things can go wrong. But by first knowing the fellow and number two, ask him some questions. Why do you want a new partner? Number two, have you had partners in the past? What happened to those partners, where are they? Go interview them. Why did they leave?

Dr. Larry Kaskel:

Do some due diligence.

Dr. William Hutton:

Do some due diligence. Nowadays find out the finances of this guy. What's his family like, homes, what? What's the compensation schedule of this group? How am I going to be paid? When do I become a partner? Who's going to be on call, when? All these things like this. Look around the office. What's the morale of the people that are there? Are they all dissatisfied? What's the turnover in the front desk, is it 80 percent a year? Well, something's wrong. You can get an idea and then you can ask around the town. You can find a lot in just visiting a place.

I'll give you an example of my own personal when I started out to go to practice. I wanted to go into practice, I left the fellowship, and I wanted to go into private practice. I did not want to go into academic practice. I had three different places picked out. The second one I kind of liked over the phone and the people I talked to, but when I visited with them, I went in and first went to the university and they were real excited, they thought, oh, this is great. They took me to the meeting of the ophthalmologists that evening. Well, during this period they kind of figured out I wanted to be in private practice, so suddenly they weren't quite so happy.

When I got to the meeting I met with different fellows there and talked to them. And I found out this town was completely fragmented, the town hated the Gown, and within the town they hated each other. And here I was coming in as a subspecialist, which had been on referrals, and they already were asking me who I was going to align with. Well, right away I knew the town was through, I'm not going to live there, I don't want that. So, if you do a little due diligence things will fall out as to where you should go.

Once you decide what you want to do then the location becomes important because that determines what kind of a hospital perhaps you need to be associated with, what kind of referral sources you need. If you're a plastic surgeon, where you're going to be? If you're pediatrics, what's the age group around you? You've got to start thinking specifically for your particular concerns.

Dr. Larry Kaskel:

Once you've figured all that out, you've chosen your location, you've decided private versus academic, you've found someone perhaps you want to align with, how important is it for you to create a business plan? What should go into that, and how do you even make one if you've never made one before?

Dr. William Hutton:

I think especially if you are going by yourself and even if you're not, it helps to walk through a business plan. Or if you don't want to call it as fancy as a business plan, at least you want to go step-by-step of what's involved. I like the idea of a business plan. And you can go to...

Behrens has a little book that has a business plan you can look at or you can go to the Small Business Association. You can get these things and it's not important to go through it in complete details the way they are laid out, but what it does is it forces you to look at each issue. It forces you to first understand what you want to accomplish and number two, then start looking at the things that influence that. The demographics, where you're going to get your patients, the revenue, where's the revenue coming from, what kind of patients, how much, what do you expect to do there, what are the costs involved, how much space do I need? All these questions have to be answered and it forces you to put a pencil to it and come up with a pretty good answer of what you need.

In addition, by doing that, in having laid this out for yourself, you take a lot of the surprises out of it and also, if you go present that to a bank if you're going to a town. Most banks of course have bankers that handle private investors that will talk to you and you can arrange a line of credit with some knowledge of about what you would need.

Now, this is where another time, a business plan, you can be helped by having a CPA help walk you through some of that. And one thing I always think it's useful to have some professional support, primarily a CPA. In most towns there are CPAs that tend to handle a multitude of physicians. So you have access to a person who knows what's going on in the community in the different practices and they can help you develop your business plan and the cost that might be involved.

Dr. Larry Kaskel:

On that note, Dr. William Hutton of MedSynergies, thank you for all the excellent tips and advice you have given us on how to start a practice and make it successful.

Dr. William Hutton:

Thank you very much.

Dr. Larry Kaskel:

Again, my guest was Dr. William Hutton, Founder and Chairman of the Board of MedSynergies, which is a medical practice management firm based in Irving, Texas, and we were talking about how to start a medical practice and necessary planning that goes into assuring success. I'm Dr. Larry Kaskel. You've been listening to the business of medicine on ReachMD, a channel for medical professionals.

ReachMD online, on demand and on air. Please visit us at ReachMD.com and thanks for listening.