A strong advising team can help your private practice flourish

JUL 19, 2019

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A medical degree gives a physician the right to envision owning a private medical practice. Putting the paperwork together to actually open and operate one typically takes the help of other professionals. Key advisers that physicians can expect to rely on at the start and perhaps throughout medical practice are an attorney and accountant. Their services are central to the business structure that a private practice operates within.

When taking advice related to medical practice, it is important that it come from sources with deep and demonstrated understanding of the special circumstances of being a physician. The AMA supports physicians in pursuing the practice arrangement that best suits them individually as they deliver high-quality care to their patients. And the AMA offers the resources and support physicians need to start and sustain success on the path to private practice.

Why you want an attorney

The specifics of state laws vary, but medical practices generally must be established as professional entities—as are law firms and the practices of other licensed professionals—with special requirements.

In the case of physicians, “a professional entity is able to engage in the practice of medicine under state law,” said Bruce A. Johnson, a Denver health care attorney with the Polsinelli law firm. “It is typically required to be owned solely by people who are licensed in that state.”

It’s an exception to the way other businesses operate, but the paperwork is often routine for attorneys familiar working with physicians. Establishing one for a small medical practice usually can be done at low cost. “Dependent on the lawyer you go to, they might have a package, like a starter set,” he said, which for a flat fee could provide a small practice with standard documents.
Common business structures, often selected with professional liability considerations in mind, include professional corporation or professional limited liability company. Those or other options should be discussed with an accountant as well as an attorney because the way that a practice is organized has tax implications. The more physicians involved with the practice, the greater the complexity and cost of establishing it is likely to be.

**Seek help when change is afoot**

After establishing the practice, especially at the smaller end of the size spectrum, “it could be that you don’t talk to your lawyer for years,” said Johnson.

That can change with the life cycle of the practice. “You decide you want to bring on an employee doctor or you want to make that employee a co-owner of the practice,” said Johnson, citing common triggers for legal help. Others include setting up a related legal entity—like an ambulatory surgical center—or buying the building housing the practice.

“You would need to consult with your lawyer to document it and make decisions about it,” said Johnson, adding that those conversations typically include “your accountant to think through the tax and financing issues.”

**Why you want an accountant**

Major changes to a practice may be infrequent, but keeping track of practice finances and giving the government its due makes the accountant a much more consistent presence in the physician’s working life.

Tax preparation—including finding and documenting business deductions to reduce tax liability—is the primary reason medical practices need an accountant. One can also be useful in establishing cash-flow management protocols and providing other services for handling practice finances.

**Other key business relationships**

These two other key relationships may be focused on paperwork, but can have a big impact on practice.
Insurance agent or broker. Professional liability insurance is always top of mind for private practice physicians, but they are also operating a business. That requires general liability and property insurance, as well as other coverage such as disability insurance and workers compensation.

Banker. Fortunately, physicians generally tend to be sought-after borrowers—even those who finish training with debt. The physician should be selective in finding a lender with acceptable terms and understanding of medical practice. It’s up to the physician to be an informed borrower, able to discern the best deal.

Learn more about practice transitions at the AMA’s career planning resource.