



Private Practice Business Considerations Guide

Business Plan

When a physician decides to open a new practice, there are various models and questions to consider. It is best to view all the logistics based on your practice situation and consider questions such as:

- Do you wish to rent, lease, or own your practice building or office space?
 - Each municipality has zoning ordinances that control what type of business can operate on each plot of land. It is important to talk with your realtor or landlord to verify that you can operate a medical office within the buildings you are considering for your business.
 - You need to notify your “potential” landlord about your business intentions if you decide to lease.
 - The first step is finding a realtor specializing in commercial real estate sales if you plan to own.

Whether you decide to own or lease, you will need to contact a bank for a commercial mortgage or financing options. They will require a **business plan** that will include your business startup costs. The business plan’s initial purpose is to act as a guide to starting a business, obtaining funding, and directing operations. As the larger health care environment changes, the business plan must be focused on changes (ie, reimbursement, regulatory agencies, and patients) to reflect the current shifts and anticipate future shifts in the internal and external environment.

Critical components of a business plan include:

- **Executive Summary.** This will include the main details of your practice, such as the name, location, and the services you will provide. It will also cover your **mission statement**: why do you want to open your practice? What are your long-term goals?
- **Description of products and services.** Who are you treating? How large is your practice? What is your vision for the future of your practice?
- **Market analysis.** The target market must be well defined; without one, your plan will demonstrate little value. A SWOT (strength, weakness, opportunity, and threat) analysis is the best way to identify internal and external influences on your practice.
- **Financial viability.** To generate sufficient income to meet operating expenses and debt commitments while growing your practice.
 - Physicians must understand the payment structure around their services when explaining their business plan and **return on investment (ROI)**. Most financial institutions do not understand the current payment schedules in health care and will require additional explanation for capitation, bundled payments, and pay-for-performance income.
- **Team description.** You will want **job descriptions** for each employee at your practice. It will be helpful to match each physician to a team of health professionals who work closely together to meet the needs of the patient (ie, nurses, medical assistants, pharmacists, etc.). You should also identify the support staff needed for administrative work for all physicians in the practice (ie, billing, human resources, prior authorization, scheduling, etc.).
- **Marketing.** A brand will help your practice differentiate and elevate to patients. Things to consider when reviewing marketing include logo, website, print materials, social media pages, and search engine profiles. Will you contract with a third-party vendor or keep marketing in-house? Will you use paid advertising? How will you engage with current and potential patients on social media platforms?

Business Plan, continued

- **Regulatory compliance and changes in the law.** Establish a pragmatic regulatory change management process that expects and encourages a high level of engagement and coordination among designated team members—leading to an identifiable path to ensuring compliance.
- **Conclusion.** Medical expertise is vital, but the patient’s experience is critical: having what they want when they want it.

Practice Corporate and Legal Structure

Physicians may practice medicine through professional corporations, nonprofit organizations (including hospital services corporations and medical services corporations), limited liability companies, or partnerships.



NOTE: Certain states don’t allow physicians to practice through traditional LLCs or regular corporations; the medical practice must be a professional corporation. It is important to check regulations within your state and consult with an attorney before selecting a legal structure for your practice.

Table 1. Comparison of Different Business Models

FEATURES	C CORP	S CORP	LLC	GENERAL PARTNERSHIP	SOLE PROPRIETOR
Created by a state-level registration that usually protects the company name	X	X	X		
Business duration can be perpetual	X	X	X		
Owners not required to be United States citizens or residents	X		X	X	X
Allowed to be owned by another business	X		X		
Owners can report business profit and loss on personal tax returns		X	X	X	X
Owners can split profit and loss with the business for a lower overall tax rate	X				
Limited liability for debts and obligations	X				
Unlimited number of owners	X	X	X		
Annual meetings or record meeting minutes are not required			X	X	X

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