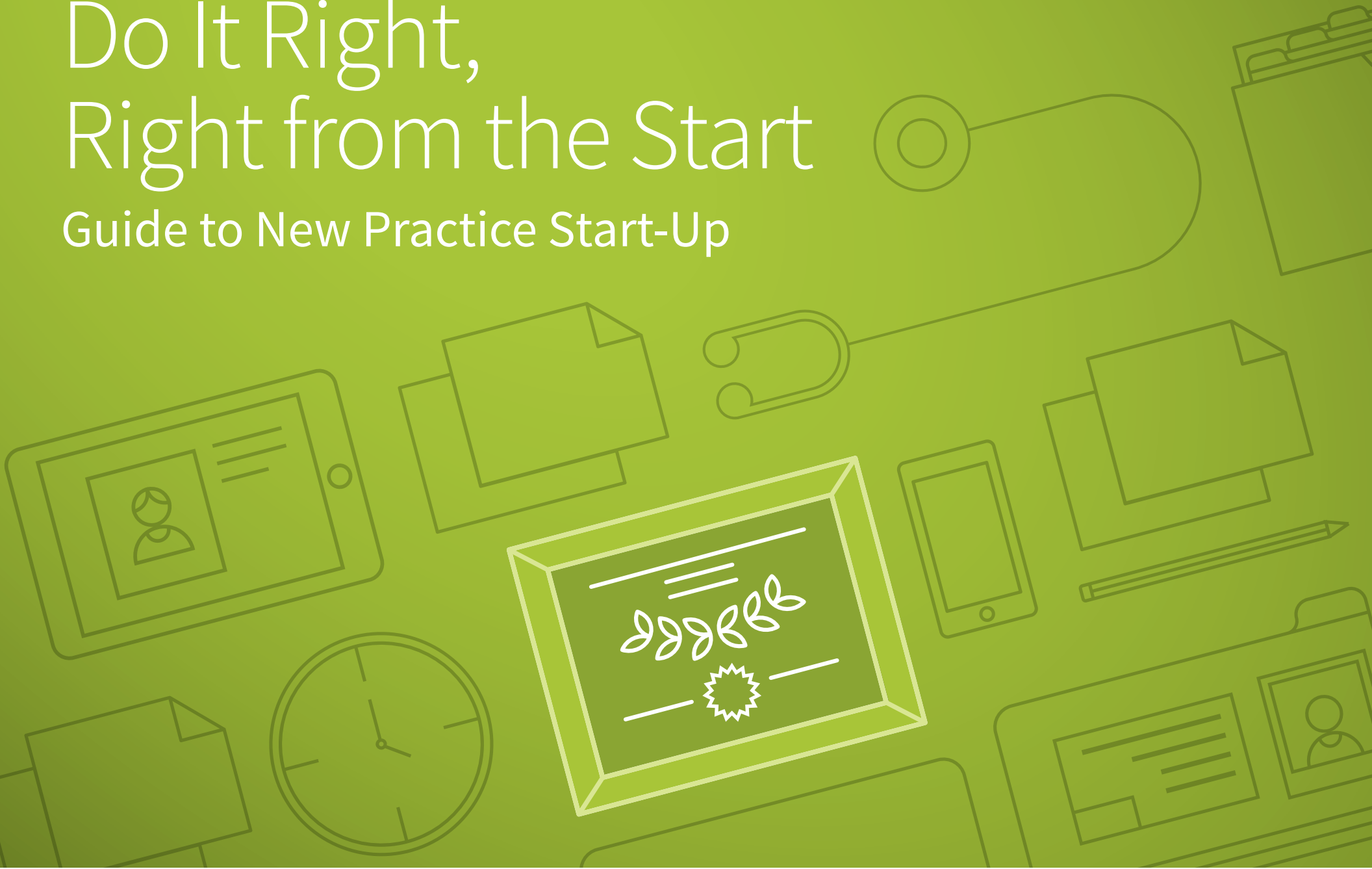


# Do It Right, Right from the Start

## Guide to New Practice Start-Up



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# Introduction

## You've decided to start your own medical practice

Choosing to operate your own medical practice is one of the most important professional decisions you can make. While it comes with a lot of responsibility, it also offers many advantages. As a business owner, you are in control of everything, from who you work with to what type of patients you treat, as well as how many patients you see per day, and of course, how much money you make. With these advantages, it's easy to see why independent physicians report consistently higher rates of satisfaction than doctors employed in group practice or hospital settings.

## Do it right, right from the start

[Ultimately, building a private practice has rewards, but there is a lot at stake.](#) 

So, taking the time to plan and do it right from the start will ensure your success, eliminate a lot of unnecessary stress, and help you to begin treating patients and getting paid more quickly. Plan carefully and use the best practices laid out in this guide and you will build your business on a solid foundation.

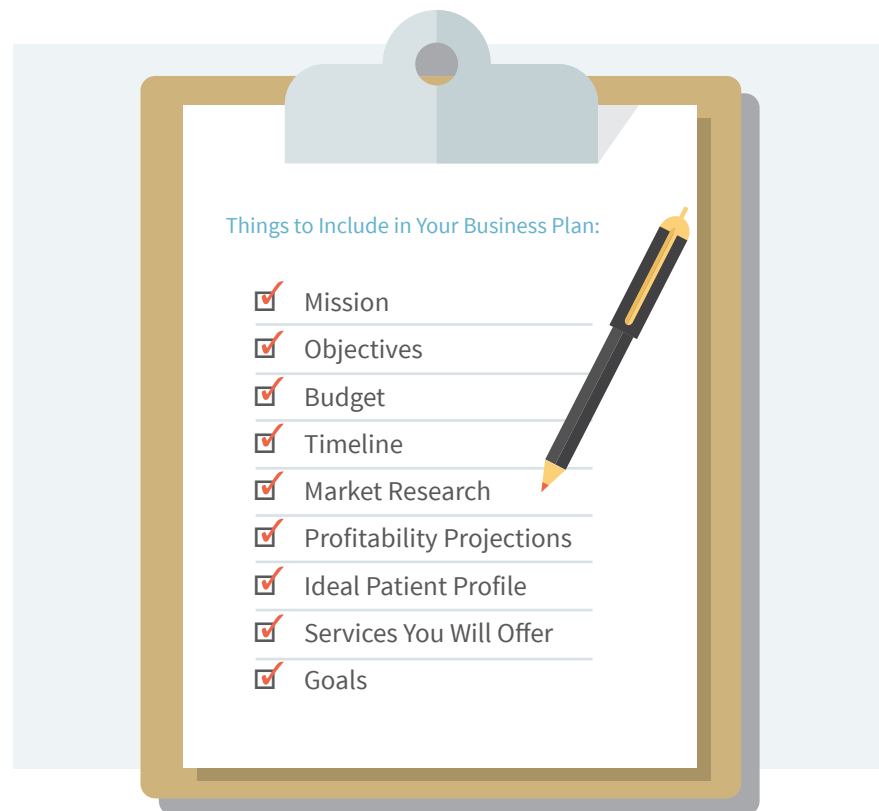
Taking the time to plan  
and do it right from the  
start will ensure your  
success.



# Planning – Your Business Plan, Budget, and Timeline

## Your business plan

All successful businesses have a business plan. Even if you are not seeking financing to open your practice, you still need to have a business plan as a guide to your success. Portions of your plan may change over time, but when challenges come up (as they always do), this document will keep you focused on the goals you have established for your practice.



## Setting your budget

Whether you will be working with a practice start-up expert or doing everything yourself, you have to know what things cost. As an independent physician and business owner, the buck stops with you.

The first step in creating your budget is to research costs. You will then lay out a budget, including multiple scenarios.

### PLAN A

#### WHAT YOU NEED TO SPEND TO GET STARTED

This will include only what you absolutely must have to open your doors and run your practice.

### PLAN B

#### WHAT YOU ARE ABLE TO SPEND

If you have a little extra in your budget, this plan can include equipment or staffing that you would like to have beyond Plan A.

### PLAN C

#### WHAT YOU WOULD LIKE TO SPEND IF YOUR BUDGET WILL ALLOW

Or, what you would like to spend or upgrade to as your practice becomes profitable.

Your budget should cover expenses from your initial start-up through your first twelve months of “doors open” practice. Don’t forget your personal living expenses for this first year. And, be sure to include marketing and consultant fees in your budget.

## Where will the money come from?

As part of your budget planning, be sure to think about where the money will come from.

- Will you take out a loan?  
If so, will you use your personal bank or private investors?
- Will you use all or a portion of your savings?
- Will you continue to practice in your current setting to cover start-up expenses?

## Your timeline


It's also important to carefully plan your timeline at this point. If your time to opening is either too short or too long, it will cost you more money. Opening too soon will likely cost you in lack of marketing, payer credentialing, customer service, and first impressions. However, if you take too long to reach opening day, you will pay more in consultant fees, carrying costs for interest, rent, and storage costs.

## The sweet spot

The sweet spot for your timeline will vary based on whether you are moving into a finished space or starting with new construction. A good rule of thumb is that when limited construction is needed for office finish out, the sweet spot for opening a new practice is approximately 6 months.

Remember, moving away from the sweet spot in either direction always costs you money.

## Do the work now

The planning phase can take a great amount of time initially. However, by doing this work at the start of your journey, you will have a written guide, saving you from unnecessary stress and worry later. [If you begin without a plan, starting a new practice will be a much more strenuous activity than it has to be.](#) 



## Prepare for overages

No matter how well you plan, overages will happen in every start-up. Get comfortable with the idea of overages now and save yourself a lot of stress later.

## Getting Started – Choose Your Experts, Financial & Administrative Setup, and Credentialing

### Choose your experts

There will be three people who are invaluable in guiding you through your practice start-up: a tax accountant or advisor, a legal advisor, and a practice start-up consultant.

### Tax and legal advisors

Your tax and legal advisors will help you determine what entity setup is the most beneficial for your situation, review contracts and tricky lease agreements, and make sure you start off on the right foot. Remember, having knowledgeable professionals in place from the beginning can make a huge difference in your tax liability and, therefore, your profit.

### Practice start-up consultant

A good practice start-up consultant will help you avoid costly mistakes and take the load off you, making your start-up smoother and less stressful. Your consultant can help with:

- Getting your payer credentialing done correctly
- Finalizing your budget and timeline
- Managing the project
- Hiring and training your staff
- The set up, planning, and execution of your marketing
- Serving as a single point of contact for you, vendors, and your construction and project managers
- Negotiations with vendors

## A practice start-up consultant can save you money

Your practice start-up consultant can save you money by negotiating with vendors for you. For example, you might only be purchasing four exam tables and not have room to bargain. However, your consultant may have a long-term relationship with the vendor and arrange the purchase of twenty exam tables a month for practices. This gives your consultant the ability to get discounts that can save your budget.



## Financial setup

Once you have chosen your expert help, they will start on your financial setup. Some steps, your experts will complete for you. Others will require your input and assistance.

- Bank accounts
- Sales tax certificate
- Acquire EIN, NPI, DEA, and state controlled substance numbers
- Arrange financing
- Accounting firm/software selection
- Office overhead
- Survey of insurance fees
- Develop fee schedule
- Establish patient financial policy
- Order CPT, HCPCS, & ICD code books
- Payer credentialing

## Administrative setup

- **Business entity formation** (discuss with tax and legal advisors)
- Business license
- Insurance
  - Office liability
  - Business interruption
  - Employee fidelity bond
  - Office contents
  - Umbrella policy
  - Worker's compensation
  - Health/disability/life
  - Malpractice
- Policies/procedures/protocols manual
- Join chamber, IPA, local business organizations
- Hospital privileges

## What about credentialing?

While payer credentialing is a part of your financial setup, it deserves its own section because of the effect it can have on your revenue. It is critical to begin your payer credentialing early in the process of starting a practice. There are many steps that you can't control such as paper backlogs and unexpected waits that could leave you waiting for payment or even working for free.

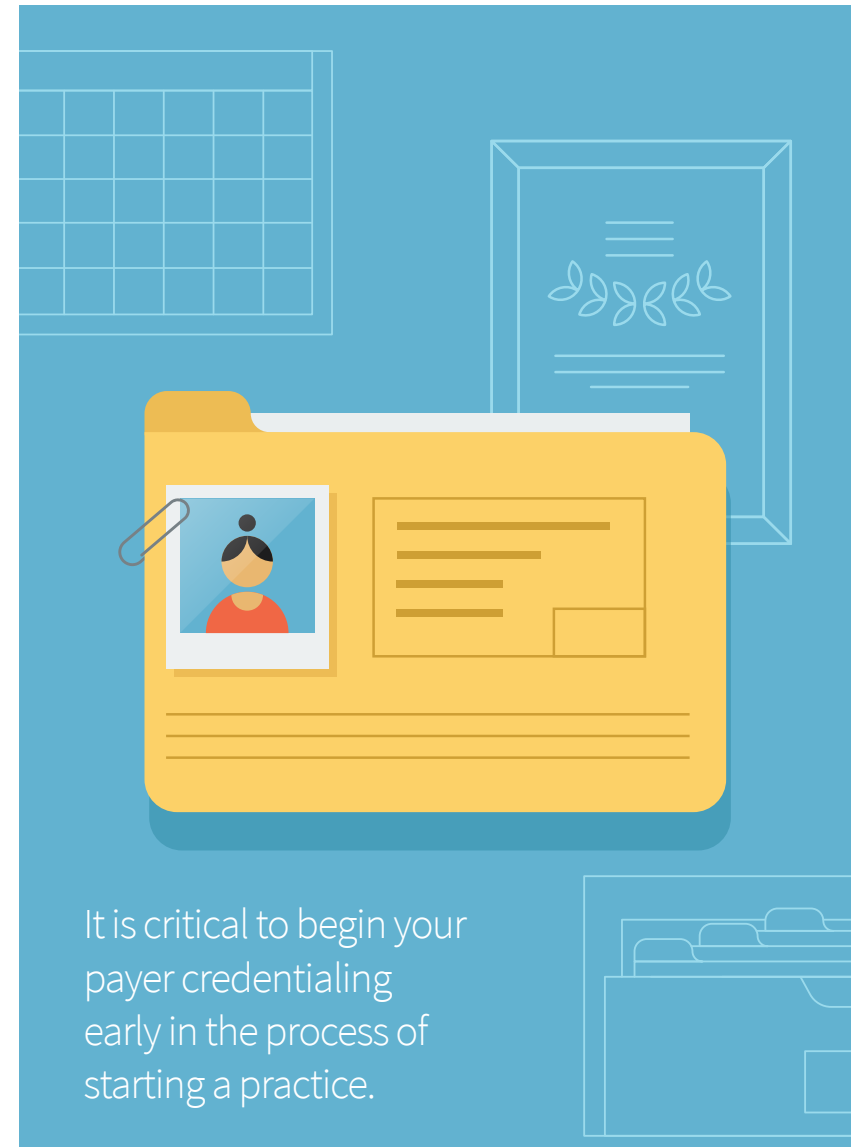
To get started, create a list of payers that are important to work with in your area. Fill out all of their required forms and respond quickly if additional documents are needed prior to acceptance into their network.

## What if I don't have an office address?

Even if you don't have an office address yet, you should get the payer credentialing process started. You can use your home address or a PO box to get started. You will have to file a change of address with the payers once you have a location. However, this is much less painful than having to turn away patients and revenue because you are not on their plan.

## Can't I get retroactive dates of coverage?

You can get retroactive dates of coverage but they don't always cover everything. This could result in you treating patients that you will not be reimbursed for, which is something you may not be able to afford when starting a new practice.




It is critical to begin your payer credentialing early in the process of starting a practice.



## The Nuts and Bolts - Office Location, Setup, Vendors, & Technology

### Location, location, location

[The first rule of thumb in selecting a location for your office is to choose your site based on its convenience for your ideal patient, not its convenience for you.](#) 

If you have decided that your ideal patient is a suburban soccer mom, you probably do not want an office located in the city. She has a schedule and doesn't want to pack up the kids in the car to drive thirty minutes for her appointment. A better location would be in the suburbs, where it is quick and easy for her to get there. On the other hand, if your ideal patient is a busy executive, driving out to the suburbs could be a hassle and a downtown location would be a better choice.



### Other factors in practice location:

- Visibility to the public
- Traffic issues
- Distance from hospital if you have privileges
- Parking
- Commute time

### Sign your lease

Make sure you have your legal expert review your lease prior to signing. Tricky clauses regarding maintenance, such as triple net, construction, and other issues could cost you a lot of money down the road.

### Building finish out

Whether you are making only minor changes to a finished space or starting with new construction, do your due diligence with your architect, project manager, and contractor at this step. Get out the tape measure and masking tape. Lay out rooms for good workflow and comfort. Get it right the first time because changes made after construction begins will cost you time and money. These changes are called change orders and you will pay not only for the change but also a 15-25% fee.

### Steps to finish out:

- Hire an architect
- Lay out office space
- Seek bids for remodeling/construction
- Hire contractor

## Check for non-compete clauses

If you are currently practicing, make sure to have your legal expert review your contract for non-compete clauses. Geographic location clauses could restrict your site choice. Ignoring these clauses can result not only in lost revenue but in having to close your doors and start over.

## Other steps in office setup

- **Signage** (check for city regulations)
- **Set office hours**
- **Certificate of occupancy**
  - Fire inspection
  - Safety inspection
  - City inspections
- **Furnishings and supplies**

## Implementation/inspections/training

There are a number of compliance issues you will have to meet by the time you open your doors. Don't neglect these steps or they will cost you time and money:

- OSHA
- Stark
- CLIA
- HIPAA
- Universal protocol training
- Obtain & post required posters (OSHA, Equal Pay, etc.)

## Vendors

- Document destruction
- Medical waste
- Laboratory

- Credit cards
- Janitorial needs (may be included in your lease)
- Maintenance needs (may be included in your lease)
- Office supplies

You are going to need more vendors than you think and it's important to start early in researching your options. Ask questions and have your legal advisor go over any contracts.

For example, most physicians make the mistake of thinking that there are only one or two medical waste companies to choose from. However, there will be several to choose from in your area and they are not all created equal. Make sure to ask questions like:

- Will I be charged if I have more waste than estimated?
- Are there additional fees or surcharges, like fuel surcharges, stop fees, energy fees, or environmental fees?
- Do changes in my contract automatically extend my contract?



## Technology

When researching your choices for practice management, billing, and EHR, you will want to look for platforms and software that are built for independent physicians and small businesses. It can also offer advantages to choose an integrated EHR/PM/billing solution since it can often provide more features, ease of use, and financial incentives than stand-alone systems.

## Electronic health records

EHR implementation can help you improve patient outcomes and meet requirements to avoid penalties and access pay for performance incentives. EHRs are also important in practice efficiency and can provide increased revenue to your practice through more accurate, higher-level billing. New practices should implement a quality EHR up front so that all patient records can go into them from day one, ensuring no downtime for implementation down the road.

Choosing the right EHR for your practice will help you get started on the right foot. [Download this guide to find out what to look for in an EHR.](#)

## Practice management & billing

The practice management software you choose should help you streamline everything from scheduling to reporting. It should allow you to schedule smarter by providing you with maximum efficiency to customize your schedule, create

scheduling rules, and track productivity. It is important to choose a practice management platform that lets you see how your practice is performing in real-time so that you can take immediate action to make any necessary changes to increase patient flow and revenue.

Managing billing can be one of the most labor-intensive jobs in your practice but a good billing solution will provide you with faster payments, quicker insights, and reduced denials. An integrated, automatic billing system can handle the multitude of billing tasks with the push of a button, freeing up your staff to allow for practice growth.

Practice management and billing solutions are an important part of your new practice start-up. [To learn more about choosing the right platform for your needs, download this guide.](#)

## Other equipment & technology needs

- Phone system
- Hardware
- Internet
- Cable



# 90 Days to Opening - Staffing, Outsourcing, Marketing, & “Practice” Practice Week

## How many people do I need?

The two most common mistakes in hiring staff are hiring too many people and hiring the wrong people. Luckily, both of these mistakes are easily avoidable. Starting out, you have to control overhead by running a lean team. It is critical to the success of your new practice to have specific job descriptions laid out that allow you to do this and that every member of your staff be cross-trained, able to jump in and help wherever they are needed. Follow the steps below to choose the right people and you will have a great team to support the growth of your practice.



**Rule of thumb in hiring staff**  
A single physician practice seeing 20-30 patients per day should have 3-4 team members.

## Start-up staff needs:

- **Office/Practice Manager** – The key to hiring an office/practice manager is to hire someone that you trust enough to give them the authority to make decisions. They should be able to have the final say over things such as tardiness, payroll, vacation, and sick days. Otherwise, they are just a parrot from you to your staff and your staff to you.

- **Receptionist** – You only need one receptionist starting out. Many offices hire a receptionist for check-in and another for check-out. However, with the wide availability of technology to assist at reception, only one person is necessary when starting up.

Your receptionist should be responsible for answering the phone by the second ring, transferring calls, checking patients in and out, collecting co-pays, and sometimes initiating the billing process at the end of the day. She should also understand the flow of the clinical side of the practice and be able to help as needed.

- **Medical Assistant/Nurse** – Your medical assistant or nurse should be able to do their job quickly and accurately, have good communication skills, be able to articulate the needs of the patient to the doctor, and be one step ahead of the physician, anticipating their needs.

★ **TIP:** When Training Your Medical Assistant/Nurse: The doctor should never be standing around when patients are in the waiting room. There should always be somewhere for the doctor to go next to maintain the flow of the clinic.

- **Billing Solution** – Your billing solution does not have to be in-house. The technology available today means you can easily choose to outsource to a billing company. If you do decide to hire a staff member to fill this role, they will be the only person in your office who should not be cross-trained. They should be focused at all times on billing and payments.

## When do I need my staff to start?

You will need your staff available for two weeks prior to opening day, working half days if possible. They will prepare your practice by unloading supplies, becoming familiar with clinic procedures and flow, and handling marketing needs in the community, such as staff and office pictures.

## Other staffing tasks

- **Employee Handbook** (policies/requirements)
- Insurance Coverage
- Payroll Service

## What can I outsource?

- Billing
- Pre-Authorizations
- In-bound Calls
- Reminder Calls
- Marketing

When deciding whether or not to outsource, make a list of pros and cons. These usually come down to cost vs. control. Most physicians are relieved when they make the decision to give up some control and take advantage of outsourcing, especially in billing and marketing.

## Marketing

At the 90th Day in your countdown to opening, your marketing launch takes off.

- Your website should be complete.
- Your social media campaign begins.
- Your practice announcements should be ordered to send to specialists, hospitals, pharmacists, and select patients.

## Should You Outsource Your Billing?

There are lots of reasons to outsource your billing but it isn't for everyone. [Download this guide](#) to help you decide if outsourcing is right for you.



### Going Forward in the Countdown:

- Reach out to press contacts.
- Place announcements in community newspapers, local publications, and online resources.
- Schedule your open house.
- Begin participating in community events as a clinic.
- Prepare your practice brochure and have it printed.
- Create handouts on common conditions for patient education.  
(These may be available in your EHR.)

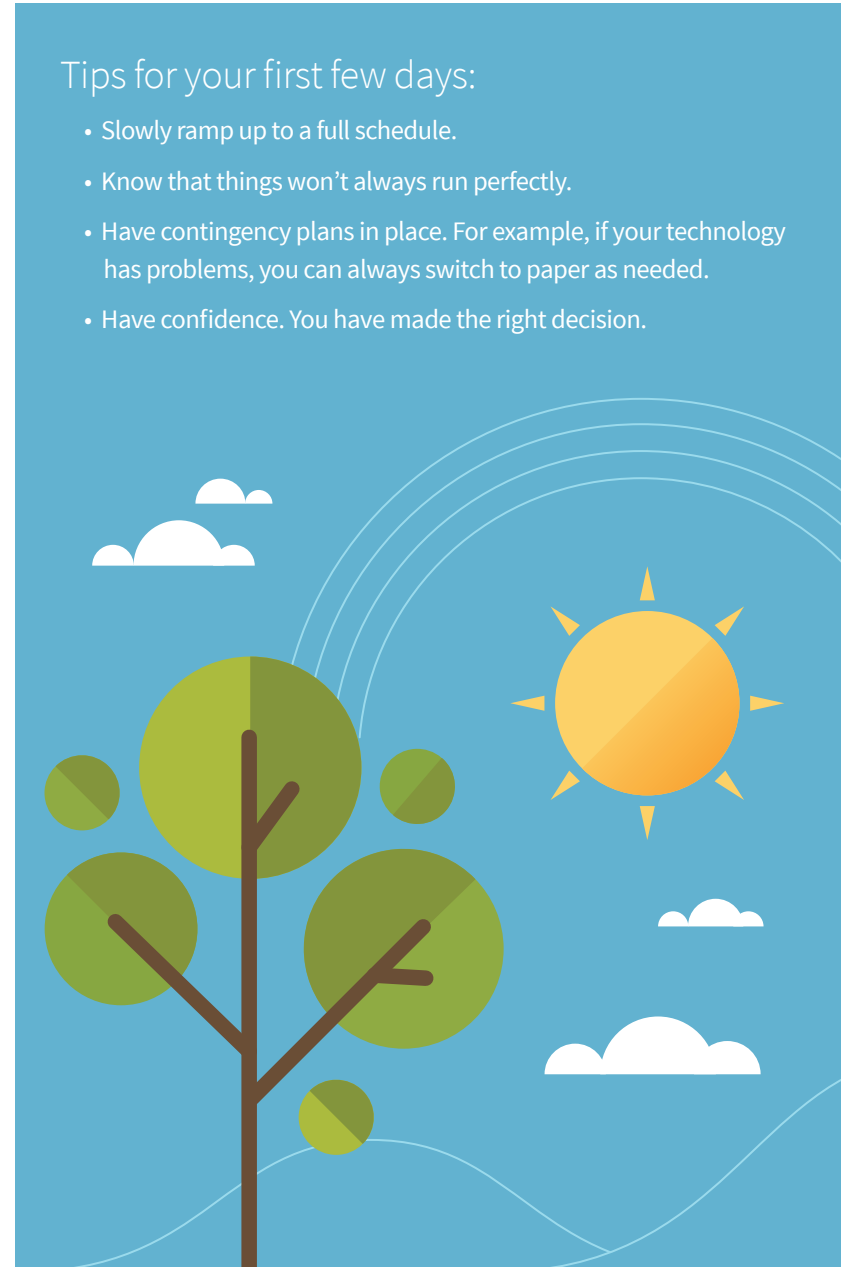
## “Practice” practice week

The week before your practice opens, you will stage a “Practice” Practice Week. This is about practice making perfect. It will allow you to get your staff to work together, figure out where the problems are in your patient flow, and hit the ground running.

- **Day 1** – Practice on each other. Each staff member, including the physician, has the opportunity to be the patient and go through everything from scheduling an appointment, check-in, seeing the doctor or medical assistant/nurse, check-out, and scheduling a follow-up. Expect mistakes and modify your procedures for better results. Plan how your staff will handle late check-ins, an overcrowded waiting area, billing mistakes, etc.
- **Day 2** – Practice on family. Find 5-8 family members willing to be practice patients.
- **Day 3** – Schedule five patients for the day. You can schedule your first five real patients for today.
- **Day 4** – Schedule eight patients for the day. Make sure to leave plenty of time, up to an hour, between patients.
- **Day 5** – Schedule eight patients for the day. Today you will see eight patients at the routine clinical pace you want to start with on your first actual day in practice.

## Tips for your first few days:

- Slowly ramp up to a full schedule.
- Know that things won’t always run perfectly.
- Have contingency plans in place. For example, if your technology has problems, you can always switch to paper as needed.
- Have confidence. You have made the right decision.



## About Kareo

Kareo is the only cloud-based medical office software and services platform purpose-built for small practices. At Kareo, we believe that, with the right tools and support, small practices can do big things. We offer an integrated solution of products and services designed to help physicians get paid faster, find new patients, run their business smarter, and provide better care. Our [practice management software](#), [medical billing solution](#), [practice marketing tools](#) and free, award-winning [fully certified EHR](#) help more than 30,000 medical providers more efficiently manage the business and clinical sides of their practice. Kareo has received extensive industry recognition, including the Deloitte Technology Fast 500, Inc. 500/5000, Red Herring Top 100 Company, and Black Book #1 Integrated EHR, Practice Management and Billing Vendor. Headquartered in Irvine, California, the Kareo mission is to help providers spend their time focused on patients, not paperwork. For more information, visit [www.kareo.com](http://www.kareo.com).



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