PRACTICE FREEDOM ADVISOR

Thinking About Starting a Practice?

What to Work Through Before You Commit

A guide for physicians weighing ownership — before the entity, the EHR, or the lease.

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BEFORE YOU BEGIN

Start With Why, Not What

Physicians often begin with the practical questions. What kind of entity should I form? Which EHR should I use? How much office space will I need? Should I accept insurance? How much money will it take to open?

Those questions come later. Before you start interviewing attorneys, touring office space, or pricing exam tables, spend some time deciding whether you really want to own a practice and what you expect ownership to change.

When I opened my first practice, I was working four days a week at a federally qualified health center with no after-hours call. It was not a terrible job. The town was two hours from St. Louis, I was earning $110,000, and I still had two years left on a public health scholarship obligation. I found an underserved county much closer to home that had no pediatrician, and I had always assumed I would own a practice someday.

My financial risk was fairly limited. I was single, had very little debt, and knew I could return to employment if the practice failed. I also knew almost nothing about running a business. I moved forward because I had found a community with a real need, I could handle the downside if it did not work, and I was willing to learn what I did not know.

Your situation may look nothing like mine.

You may have a spouse, children, student loans, a mortgage, and an income your family depends on. You may be leaving a job you hate, or you may be leaving a good job because you want something it cannot provide. Before deciding what to build, work through why you are considering ownership and what would have to be true for the decision to make sense.

01

Why Are You Considering Ownership?

A frustrating job can make ownership sound appealing very quickly.

Most physicians start thinking about ownership because something in their current situation is no longer working. They may be seeing too many patients, spending evenings finishing charts, dealing with administrative decisions made by people who do not practice medicine, or watching their compensation stay flat while expectations continue to increase.

A frustrating job can make ownership sound appealing very quickly. Start by identifying the specific parts of your current situation that you want to change. Is the problem your schedule, patient volume, compensation, call, location, leadership, clinical restrictions, or lack of control?

Then imagine that your employer fixed those problems. Your schedule improves, your patient load becomes reasonable, your compensation increases, and you have more control over how you practice. Would you still want to own a practice?

If most of your interest disappears under those circumstances, look closely at other employment opportunities before starting a business. A new position may solve the problem with far less financial risk and much less disruption to your life.

If you would still want ownership, write down the reasons. You may want to build equity, serve a population that is being overlooked, practice medicine differently, control your schedule, create a particular patient experience, or build something of your own. More than one reason may apply.

Try to be specific about the changes you expect. “I want more freedom” could mean fewer clinical days, longer appointments, less call, greater control over income, or the ability to make decisions without asking an administrator for permission. Those are different goals and will lead you toward different practice models.

02 Describe the Practice and Life You Want

Design the schedule before you design the lease.

Picture the practice three to five years after opening, once it is established and functioning the way you intended.

Think through an ordinary Tuesday. What time do you start? How many patients are scheduled? How long are the visits? What time do you leave? How much documentation is left at the end of the day? Are patients calling or texting you that evening? What happens when someone needs care on Saturday?

Look at the full week. Decide how many days you want to see patients, how much administrative time you are willing to spend, and whether you want time for teaching, writing, research, real estate, family, travel, or another business.

Think about the medicine itself. You may want a smaller panel and deeper relationships, a particular clinical niche, more procedures, fewer procedures, more complex patients, or more time for prevention and long-term care. You may want to remain solo, or you may picture several physicians and a larger team.

Now estimate the income you want the practice to provide once it is established. Calculate what your household currently requires and include expenses your employer may be paying on your behalf, such as health insurance, disability coverage, retirement contributions, malpractice insurance, licensing, and continuing education.

Some parts of this picture will be more important than others. You may be willing to earn less in exchange for a four-day week. You may be willing to work five days but refuse to spend evenings charting. You may want a high-touch practice and be comfortable giving patients direct access to you, or you may want clear boundaries once the workday ends.

Write down the few things you most want to preserve. These become the standards you use later when evaluating the model, location, staffing, overhead, and patient volume.

A physician who leaves employment because twenty-five patients a day is unsustainable should not build a practice that also requires twenty-five patients a day to cover expenses. That happens more often than it should because the schedule is designed after the lease, payroll, and other fixed costs have already been established.

03 Understand the Owner's Job

You don't have to love the business side. You do have to stay involved.

Owning a practice adds an entirely different set of responsibilities to your clinical work. During the startup, decisions about financing, real estate, technology, contracts, pricing, staffing, marketing, patient agreements, and operations will all come to you.

Once the practice opens, the decisions continue. An employee quits, a vendor misses a deadline, expenses increase, the schedule fills more slowly than expected, or a service you expected to be profitable turns out not to be. Running a practice involves a steady stream of problems that require decisions.

You can hire people to handle much of the work. A healthcare attorney, CPA, banker, bookkeeper, real estate advisor, insurance professional, and experienced vendors can help you avoid expensive mistakes and keep you from trying to learn every part of the business yourself.

You will still need to know what is happening inside the practice. You will review financial reports, evaluate whether employees are performing, decide when to spend money, and recognize when the original plan needs to change.

Think about how you handle nonclinical problems now. When an organizational plan goes wrong, do you investigate it and make a decision, or let it continue because dealing with it is uncomfortable? Can you give direct feedback to an employee? Could you end a vendor relationship that is hurting the practice? Are you willing to ask for help before a small problem becomes expensive?

You do not have to enjoy bookkeeping, payroll, or contract review. Most physician owners do not. You do need enough interest in the business to stay involved and enough judgment to know which responsibilities should be handed to someone else.

04 Compare Ownership With Your Other Options

Know what you're choosing — and what you're giving up.

Starting a practice is one way to gain more control over your career. Compare it with the other paths available to you before assuming a startup is the next step.

A different employer may offer a better schedule or more clinical autonomy. A physician-owned group may provide many of the benefits of ownership without requiring you to build the business from the beginning. Buying an existing practice may give you immediate revenue, employees, systems, and a patient base. Joining a private practice with a defined path to partnership may reduce startup risk while still allowing you to become an owner.

Reduced FTE, locums work, or contract medicine may provide more control over your schedule without the fixed obligations that come with a lease, employees, and business debt.

Compare the options using the practice and life you described earlier. Look at income, schedule, clinical control, geographic flexibility, financial risk, administrative responsibility, and whether the opportunity allows you to build equity.

Suppose a physician-owned group could give you four clinical days, longer visits, and a path to partnership. Starting from zero may still appeal to you, but you should know what you are choosing and what you are giving up.

For some physicians, the practice they want cannot be built inside another organization. They want a care model, patient relationship, service structure, or level of control that employment and partnership opportunities cannot provide. In that situation, building the practice may be the most direct route.

05 Learn How the Models Work

Spend time inside the model before you commit to it.

Once you have a reasonable picture of what you want, begin learning about the practice models available in your specialty. That may include Direct Primary Care, concierge or membership medicine, cash fee-for-service, an insurance-based practice, a hybrid model, buying an existing practice, or joining a private practice with an ownership path.

For each model, find out how the practice gets paid, how many patients it requires, what the overhead usually looks like, how many employees are needed, and what patients expect from the physician.

A DPC physician may have a smaller patient panel and longer appointments, along with frequent messaging and direct communication between visits. A concierge physician may carry an even smaller panel while providing a higher level of availability and service. A cash fee-for-service practice earns revenue when visits or procedures occur and must generate enough demand to keep the schedule productive. An insurance-based practice may reach a broader population while carrying more billing infrastructure, payer requirements, and pressure to maintain visit volume.

Spend time with physicians running the models you are considering. Ask to visit their practices if possible. Watch how the day works. Find out who answers the phone, how patients are scheduled, how messages are handled, what the physician does between visits, and how the practice functions when the physician is away.

Ask about the first two years. How much did they spend? How quickly did patients join? What took longer than expected? Which expenses turned out to be unnecessary? What would they have spent money on sooner? How long did it take before the practice could pay them what they had expected?

Talk with several owners, including someone whose practice struggled or closed. A physician with a successful DPC practice in a wealthy, rapidly growing suburb may have very little in common with someone trying to build the same model in a rural community. The details behind the success are often more helpful than the headline.

06

Will Patients Actually Use the Practice?

Clinical need and patient demand are related — but they're not the same.

Clinical need and patient demand are related, but they are not the same. A community may have too few physicians and still be unable to support the price, location, or model you are considering.

Describe the patients you expect to serve. Think about their age, location, health needs, income, insurance status, and the problems they are having with their current care. Then look at what they are doing now.

They may be using a hospital-owned practice, another independent physician, urgent care, telehealth, a retail clinic, or no regular care at all. For referral-dependent specialties, determine where referrals currently go and whether the referring physicians are independent or employed by a system that keeps referrals inside its own network.

Study the practices already serving the area. Find out whether they are accepting new patients, how long people wait for appointments, what they charge, how they describe their services, and what their patients say in reviews. Competition can show you that a market exists, and it can also show you where patients are already well served.

Talk directly with people who could realistically become patients. Ask how they receive care now, what they dislike, what they wish were different, and whether they would consider the type of practice you are describing. If patients will pay directly, discuss the expected cost and what they would expect in return.

Do enough of these conversations to start seeing a consistent picture. You may learn that patients are ready for the practice as you described it. You may find that they want part of the concept but will not pay the price you expected. You may discover that the strongest demand is coming from a different patient group than the one you originally planned to serve.

Use that information when estimating patient growth. The financial model will be more useful when the patient assumptions come from actual conversations, local conditions, and comparable practices rather than enthusiasm for the idea.

07

Run the Early Financial Numbers

The numbers should show whether the concept is moving in a workable direction.

Begin with your household. Calculate the monthly income you need after taxes to cover your living expenses, debt, insurance, retirement savings, education costs, travel, and other obligations. Include benefits currently paid by your employer that you will need to replace after leaving.

Then estimate the practice expenses. Depending on the model, those may include rent, payroll, malpractice coverage, technology, EHR, equipment, supplies, accounting, legal services, marketing, insurance, payment processing, and loan payments.

Add the amount the practice needs to pay you to its expected operating expenses. That gives you an initial revenue target. From there, calculate the patient volume, memberships, visits, or procedures required to produce that revenue.

For example, if a membership practice needs $40,000 in monthly revenue and charges an average of $100 per member, it will need roughly 400 paying members before accounting for cancellations, discounts, or additional revenue. You can compare that requirement with the size of the market, the number of interested patients you have identified, and the growth experience of similar practices.

Run several versions. In the conservative version, assume patient growth is slower, expenses are higher, and the opening is delayed. Estimate how much capital the practice and your household would need before revenue catches up with expenses.

If the model requires more patients than the market is likely to provide, change the pricing, services, overhead, location, or model. If the startup requires more capital than you are willing to invest or borrow, reconsider the timing or scale. The numbers are early estimates, but they should be strong enough to show whether the concept is moving in a workable direction.

08

Look at Timing and Financial Runway

A good idea can still arrive at a bad time.

A good practice idea can still arrive at a bad time. Your savings, debt, family obligations, employment contract, career stage, reputation in the community, and tolerance for financial uncertainty all affect how you should approach the startup.

Review your employment agreement before giving notice or discussing your plans publicly. Understand the notice period, non-compete and non-solicitation provisions, patient-notification restrictions, and responsibility for malpractice tail coverage. A physician employment attorney can explain what the contract allows and how it affects your timeline.

Consider the amount of personal and business runway available. How long could your household function if your income dropped substantially? How much cash will remain after startup costs are paid? How many months can the practice operate before it needs to reach breakeven?

Work through a realistic slow-growth scenario. Assume the practice opens on schedule but reaches only half the expected patient volume during the first year. Decide how long you could continue, which expenses could be delayed, whether another income source would be available, and what signs would tell you the original plan needs to change.

Burnout can push physicians to move faster than their preparation supports. When you are exhausted and anxious to leave, an aggressive opening date can feel necessary. If possible, create enough space to review the model, finances, market, and contract obligations before making commitments.

If the concept looks good and the timing does not, write down what would need to change. You may need another year to save money, pay down debt, complete an employment obligation, build local relationships, or learn more about the model. Give each of those items a target date and revisit the decision when the preparation is complete.

09

Include Your Family in the Planning

They don't need to share your excitement. They need to understand the risk.

Practice ownership will affect your household even if your spouse or partner never has a formal role in the business. Income may fall during the startup. Health insurance and retirement contributions may change. Evenings and weekends may become less predictable. A practice tied to a building and a local patient panel can also reduce your ability to relocate.

Discuss the expected investment, the possibility of reduced income, the time you expect the startup to require, and the slow-growth scenario you worked through. Decide how long you are willing to give the practice to become sustainable and how much money you are willing to put at risk.

Your spouse or partner does not need to share your excitement about every part of the plan. They should understand the financial commitment and the effect the startup may have on family life.

When I opened my first practice, I was single and had no children. If the practice failed, I could close it and return to employment. A physician with a mortgage, a spouse who is not working, three children, and substantial student debt may still be well positioned to own a practice, but the capital requirement and backup plan will be very different.

If you and your spouse have substantially different assumptions about the amount of money at risk, the time involved, or what happens if growth is slow, work through those differences before signing contracts.

10 Decide What Comes Next

You should be able to explain the decision — not just the enthusiasm.

After working through these areas, write down where you stand.

You may be ready to begin formal planning. The next work would include defining the concept in detail, validating the market, selecting the business model, building financial projections, estimating startup costs and capital requirements, assembling an advisory team, and developing the opening timeline.

You may want ownership but need more preparation first. Identify the specific conditions you want in place before moving forward: a certain amount of savings, completion of an employment contract, clearer family agreement, more market research, or time spent observing practices that use the model you are considering. Assign dates to that work so you know when to reevaluate the decision.

You may decide that another path fits your goals better. A different employer, partnership, acquisition, or reduced clinical schedule may provide the schedule, income, and clinical control you want without requiring you to build a practice from the beginning.

By the end of this process, you should be able to explain what you are trying to change, why ownership may be the appropriate path, what type of practice you are considering, what the market appears able to support, and what still needs to happen before you commit.

NEXT STEP

A Practice Freedom Strategy Session

A Practice Freedom Strategy Session can be used before you have decided to open a practice. The session gives us time to work through your current situation, the career and life you want, the models you are considering, the market, the financial implications, and the risks involved.

Before we meet, I review information about your goals, current employment, financial situation, family considerations, and any ideas you already have for the practice. That allows us to spend the session on the questions and decisions that are specific to you rather than collecting basic information.

You may leave ready to begin planning. You may leave with several specific areas to investigate before deciding. You may determine that another path makes more sense at this point in your career.

The goal is to understand the decision before you begin spending the time and money required to carry it out.

— Joe Cangas, MD, Practice Freedom Advisor

READY TO TALK IT THROUGH?

Reach out to schedule a Practice Freedom Strategy Session — a conversation about your situation, not a sales pitch.

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