

## SPRING 2018 NEWSLETTER

Have you been considering starting your own practice? Most new medical practices rely on bank financing to get them started, and this newsletter includes insights on successfully obtaining the financing you will need. Although requirements vary by lending institution, the list below, composed with the assistance of Michael J. Shaw and Jennifer Champion of First Citizens Bank, contains seven important suggestions for those who need start-up financial assistance.



Margie Satinsky

### PRACTICE START-UP – 7 TIPS FOR SEEKING BANK FINANCING

- **Present Yourself Well.**

Physicians who apply for bank financing need to show that they have the background and experience needed to run a business. Those who already have both clinical and business experience in one or more medical practice settings have a better understanding of successful practice management than those who are fresh out of training. They understand pitfalls to avoid and can more easily identify qualities that will set them apart from other practices in their specialty. Although banks consider experienced physicians less risky than inexperienced ones, they don't automatically rule out lending for those who lack business experience. Physicians who lack business experience have several options. They can take business courses at local community colleges and they can consider a buy-in or buy-out of an existing practice. They can also hire practice management consultants to help them.

- **Demonstrate Financial Viability.**

Most lending organizations require pro forma financials for a five-year period that support the business case. As a consultant to medical practices in all specialties, we guide physicians through a detailed budget assumption process in order to estimate revenue and expenses. We move back and forth between assumptions and financials until the bottom line makes sense and the break-even point is at a comfortable place. Only then do we approach lending institutions. Here's an illustration regarding patient volume projections for a dermatology practice. If the practice provides medical dermatology, MOHS surgery and cosmetics, exactly what mix of the three will produce the desired financial result within a time frame that is acceptable to both the practice owner and the lending institution?

- **Maintain Low Start-up Costs.**

There are many ways to keep start-up costs low, and lending institutions pay close attention to the following: (1) renting vs. buying until the practice has become financially viable; (2) keeping the up-fit budget low and

manageable; (3) showing selectivity about equipment purchased at the outset vs. further along after the practice has become more profitable and (4) keeping both overhead and debt level as low as possible.

- **Provide Information on Your Personal Financial Status.**

Lending institutions have several benchmarks related to the personal financial status of physicians applying for financing. The most important ones are: (1) absence of high leveraging; (2) low debt; (3) liquidity and a good credit score demonstrated by good credit history and ability to manage personal finances appropriately. With respect to student loans, it's best not to have deferred payments and to present proof of repayment structure.

- **Recognize the Realities of Compensation for Your Medical Services.**

Compensation for the medical services that you provide varies by specialty, causing lending institutions to give more or less weight to personal financial status. Here are examples. Primary care physicians who do not provide additional revenue-producing services beyond office visits generate less revenue than specialists who perform high-paying procedures. Concierge and direct-pay practices have the opportunity to generate revenue directly from patients.

- **Build a Strong Professional Team.**

Setting up a new medical practice and ensuring long-term success is a team effort. Lending institutions want assurance that you have gathered together a group of experienced professionals to provide assistance. At the very least, you need: (1) an attorney who can advise you on the most appropriate business structure from both tax and liability standpoints; (2) a practice management consultant who can guide you through multiple aspects of practice start-up; (3) a CPA to develop financials and provide tax assistance; (4) a realtor to assist with space; (5) marketing professionals who can help with branding, website and social media; (6) information technology support.

- **Show Market Awareness.**

Lending institutions care about competition in your specialty. They look for a marketing plan that addresses branding, attracting patients and promoting the practice. Here's an example from a pain management practice. On paper, there were ten practices in the same county that called themselves pain management specialists. The new practice did thorough research and documented ways in which it differed from so-called competitors. It was the only practice where physicians provided 100% of the care and were in the office 5 days/week. It offered many more services than other practices, including both interventional and non-interventional options. The bank that eventually provided the financing didn't need much convincing.

## Additional Online Resources on Practice Start-up

Additional information on practice start-up is located on our website. See:

- [On Your Own or Part of a Larger Healthcare System?](#)
- [Starting Your Own Practice – Is It in Your Future?](#)
- Published topical articles <https://www.satinskyconsulting.com/publications/articles-by-topic/>

## For Additional Assistance with Practice Start-up...

**For further assistance in new practice start-up and financing**, contact Margie Satinsky, President, Satinsky Consulting, LLC: [margie@satinskyconsulting.com](mailto:margie@satinskyconsulting.com) or 919.383.5998.

**For additional information on financing from First Citizens Bank**, contact either:

- Michael Shaw (Michael.shaw@firstcitizens.com or 919.716.4375) or
- Jennifer Champion (Jennifer.champion@firstcitizens.com or 919.716.7000)