

Financial Tips for the Dermatology Practice

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4th Annual San Diego Dermatology Symposium, February 17-19, 2023

3rd Annual Dermatology Refresher Symposium for NPs and PAs, April 21-23, 2023

2nd Annual Dermatology Innovation Symposium, September 8-10, 2023

Inaugural Dermatology Therapeutics Symposium, November 10-12, 2023

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Potential conflicts of interest with companies	Research	Consultant	Speaker
AbbVie	X	X	X
Almirall		X	X
Amgen	X	X	X
Arcutis		X	
Aristea Therapeutics		X	
Bausch Health		X	X
Boehringer Ingelheim		X	
Bristol-Myers Squibb		X	
Codex Labs		X	
Dermavant		X	
DermTech		X	
Eli Lilly	X	X	
EPI Health	X	X	X
Galderma		X	
Incyte	X		
Janssen	X	X	
LEO Pharma		X	
Mindera		X	
Novartis	X	X	X
Pfizer	X		
Regeneron/Sanofi Genzyme		X	X
Samsung Bioepis		X	
Solius		X	
Sun Pharmaceutical		X	X
UCB		X	X
Zerigo Health		X	

Goals

- Creating a pro forma and obtaining financing
- Purchasing equipment and staffing your practice
- Preparing to open
- Opening your doors and evaluating practice performance

Why open your own practice?

- More competition and more widespread distribution of profits throughout the industry
- More autonomy
- Help expand healthcare access to underserved areas
- Sense of ownership and agency that comes with running your own practice is unmatched in a larger hospital system



Types of medical practice to consider starting

- Solo practice
 - Take on almost all the responsibility
 - Full control of how your practice operates
 - Higher startup costs for things such as marketing and medical equipment
 - Put in more hours since on both the business and clinical sides
 - Take on all the other risks of starting a business

Types of medical practice to consider starting

- Group practice
 - When you start a group medical practice, you share the work burden evenly with other medical professionals
 - Work less
 - Less control you have with a solo medical practice
 - Easier access to working capital

Types of medical practice to consider starting

- Hospital-owned
 - Work on a schedule and be subject to certain employee constraints
 - Have the hospital's working capital and marketing resources
 - Minimize the risk involved in starting a new business
 - Less personal flexibility and freedom

Types of medical practice to consider starting

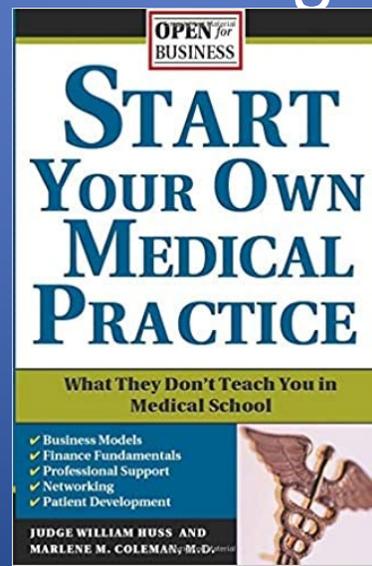
- Federally qualified health center
 - Work almost the same as it does when you go the hospital-owned route
 - Caps on working capital based on federal resource allocation

Types of medical practice to consider starting

- Academic health center
 - Minimize risk while sacrificing autonomy
 - Few caps on working capital

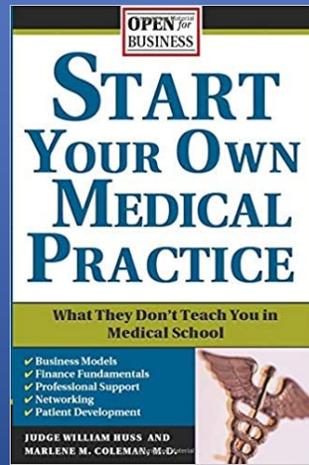
How to start a medical practice

- There is no universal formula for starting a medical practice
- It might be worth your while to hire a professional consultant
- Some laws and regulations differ by state
- Some new practices might need to hire contractors to outfit their new offices, while others might find a turnkey location



How to start a medical practice

- With so much to do, you might be asking yourself where to begin— financing
- Aim to secure at least \$100,000 to cover equipment and startup costs
- Try to obtain a \$100,000 line of credit to cover payroll and bills until your revenue stream is established and stable



Creating a pro forma and obtaining financing

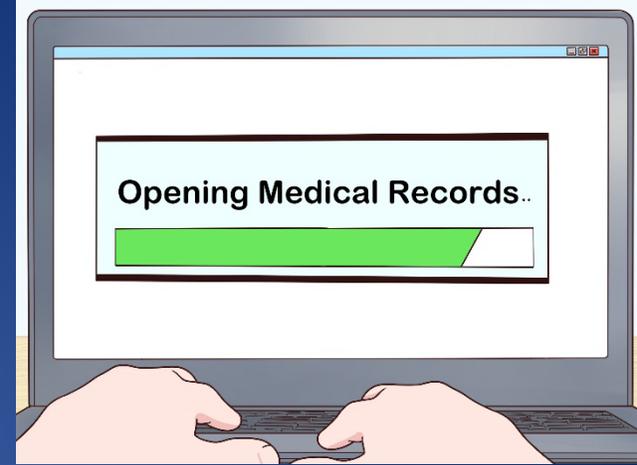
- A pro forma is essentially the lighter version of a full-blown business plan, with revenue and debt projections grounded in reality
- Account for all medical clinic expenses, debt and anticipated revenues
- Bankers can tell what projections are realistic
- A strong pro forma will project at least three years into the future, sometimes as far as five years out

Financing tips

- Submit your pro forma and loan request to the medical/dental division of the bank
- Submit your pro forma and loan request at 5-10 banks
- Decide what terms are most important to you – interest rate, amortization schedule, etc. – and then make your selection based on those priorities
- Take a conservative approach to purchasing equipment and furniture

Purchasing equipment

- Electronic health record system
 - Digitizing records and streamlining communication is a high priority
 - An all-inclusive EHR serves as a one-stop system for your patients' records and histories, communications with other providers, lab and prescription orders, and information on your revenue cycle
 - Need a well-functioning EHR system to qualify for federal incentive payments



Purchasing equipment

- Medical billing service
 - Can outsource your billing to a third-party company. You'll still need a practice management system, but then your staff won't be responsible for overseeing the billing process
 - Submitting claims time-consuming and difficult, but your staff would also be responsible for responding to rejected or denied claims to get the money due to your practice
 - When you opt for a third-party billing service, that burden shifts to that company

Purchasing equipment

- Medical transcription software
 - in-house with a staff member
 - via voice recognition software
 - outsourced to a medical transcription service
- Key aspects are timeliness and accuracy

Purchasing equipment

- Background check services
 - Medical practices are founded on trust
 - Look into candidates' criminal and employment histories, certifications, licenses
 - Failure to ensure your staff isn't properly credentialed could result in big problems

Purchasing equipment

- Credit card processor
 - Although you'll be making most of your money through payers like insurance companies and Medicare, your practice will need a credit card processor for when patients have to pay at the point of care
 - Some systems are more suited to the medical field than others

Staffing your practice

- Office manager
 - As you assemble your front-office team, you'll need a reliable office manager to run the day-to-day operations of your practice
 - A friend? A nurse? A spouse?
 - Has necessary experience
 - Needs vision and to take strategic actions to build the practice properly

Staffing your practice

- Ancillary services
 - A great way to make some extra money but also adds expense,
 - Differentiate from the competition
 - Keep patients happy



Preparing to open

- Incorporating as a legal entity and obtaining a tax ID
- Main reason for incorporation is limited liability, which means if you're sued, only the assets held by the company are subject to any risk
- Without incorporating, you've opened up your personal assets to the threat of a lawsuit
- S-corp, C-corp, LLC, or general partnership

Preparing to open

- Credentialing physicians with payers
 - You will also need to get your healthcare providers credentialed to submit claims to the payers you'll be working with
 - Credentialing process can take up to three months
 - Navigate the process for each payer you plan on submitting claims to, which includes offering up information on each physician's work history, proof of malpractice insurance, hospital privileges and attestations

Preparing to open

- Establishing policies, procedures and compliance documentation
 - A set of responsible, current, and verifiable policies and procedures, in addition to compliance with all legal regulations,
 - Cover all daily operations, including data entry, billing and interactions with patients
 - Since the healthcare environment is always changing, you'll want to periodically update policies and procedures

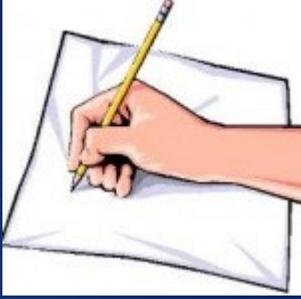
Preparing to open

- Purchasing insurance
 - Medical malpractice insurance coverage
 - Bank issuing your loan will require you to adopt additional coverage such as workers' compensation
 - General liability
 - Life insurance

Evaluating practice performance

- Once your practice is established and running smoothly, you'll want a mechanism for accountability in place
- Hire a consultant or an accountant who has experience monitoring medical practices to occasionally review operations and report back to you
- Benchmark your practice and ensure there's oversight

Take home points



- Create a strong pro forma to obtain financing
- Purchase conservatively, then more as you go along
- Assemble the best team around you!

A night-time photograph of the Sheraton Park Hotel at the Anaheim Resort. The hotel is a multi-story building with a prominent entrance canopy. The sky is dark blue, filled with numerous colorful fireworks in shades of purple, green, yellow, and white. Several palm trees are visible in the foreground and middle ground. The hotel's lights are on, and the entrance canopy is illuminated.

2nd Annual Dermatology Innovation Symposium
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Sheraton Park Hotel at the Anaheim Resort
<https://www.dermrefoundation.org>

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