Owning Your Practice

PA Practice Ownership’s Pitfalls and Rewards
COVER STORY

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On Your Own, But Not Alone

ON THE COVER: PA Edwin Weih of Oakridge, Ore., gets a hug from longtime patient Donna Beard. Weih, who owns the practice in rural Oregon, has been her primary care provider since 1996. The next closest healthcare facility is 50 miles away. ON THIS PAGE: Pacific University PA student Kelly Boeing goes over Beard’s patient history with Weih, who enjoys being a preceptor. Photos by Paul Carter.
NESTLED IN THE HEART OF THE WILLAMETTE NATIONAL FOREST

is an ex-logging town called Oakridge. About 3,500 people make their home here—and PA Edwin Weih pretty much knows every one of them. He’s been the town’s sole healthcare provider since 2010.

The next closest healthcare facility is 50 miles away in Eugene, Ore. Weih owns Five Rivers Family Practice, which provides a full spectrum of primary care services, with a good bit of emergency medicine thrown in. That’s a lot of responsibility for one person, but he wouldn’t have it any other way. He’s been in practice in Oakridge since 1992.

When the logging industry left the area in the 1990s, taking with it the sound of the lumber mill and chainsaws, the once-prosperous town fell on economically tough times. A few of the physicians practicing in Oakridge began taking down their shingles, including Weih’s practice partner. The PA received a good severance package. He had job offers from Alaska, Egypt and Texas. But the idea of leaving Oakridge without enough providers didn’t sit well with him. He was discussing the situation with an old Emory University PA program classmate who’s now an ophthalmologist in Eugene, when his friend suggested that he stay in Oakridge and go into practice ownership.

The idea of becoming a PA practice owner had never crossed Weih’s mind. But the more he thought about it, the more it liked it. A local judge’s wife, with years of experience in office management, agreed to take on the role of office manager. He hired a lawyer, filed corporate papers and the rest is history. The PA-owned clinic opened in 1996.

A few years ago, the physician practicing down the street from Weih’s clinic posted a sign out front. It read: “I’m out. The PA found himself at a crossroads yet again.

“I had a decision to make about how much of the practice I should assume—so I assumed much of it,” he said. However, they haven’t been able to take everybody. I don’t take some of Medicare because I can’t stay financially solvent with pure Medicare and Medicaid. I think that was the reason...
the other two guys closed shop.”

Welh recently celebrated 20 years as a PA in Oakridge. He has patients whom he’s been seeing since they were 2 months old and are now ready to graduate from college. This is incredibly rewarding to him.

“At this point in my life, the best thing about being a PA is the ability to know the whole family,” he said. “I have several four-generational families in my practice—grandmother, mom, granddaughter and great-granddaughter. It’s being a true family practice provider, where I can see the whole family and see what is going on, and know the husband is drinking a great deal and the wife has a problem with that. I can put all this together now. I am very proprietary toward my families in Oakridge. They’re mine. I’m the last one standing in town.”

**An Evolving Profession**

A passionate commitment to improving the health and well-being of patients is the overarching purpose of physician assistant practice. PAs have been at the forefront of delivering patient-centered, outcomes-based medical and surgical care to patients as part of a team-based system of care. As the healthcare system continues to evolve, there is a need for greater flexibility and creativity in how care is delivered.

As part of that evolution, PAs are becoming more involved with the business of medicine, and their value to a practice may go beyond the important role of clinical patient care. Today’s rapidly changing healthcare environment offers new
PA Edwin Weih is looking for an ambitious young PA who is interested in practice ownership, primary care and putting down roots in a small mountain town known for skiing and mountain biking. Opportunities for PAs to take part in the business side of healthcare.

AAPA’s Professional Practice Commission (PPC) believes that PAs can take greater roles in the management and administration of medical practice. It’s not easy, but PAs like Edwin Weih show that it can work, and work well.

Before getting started, PAs should understand the regulations that govern a PA’s ability to own a practice. Each state is different. Legal advice will be critical early on, even before developing an appropriate model of the practice (or “business plan”). Early in the profession, it was generally assumed that PAs would work in a practice setting where the physician was the owner of the practice and the PA was an employee of the physician. With fewer physicians willing to practice in underserved areas, the paradigm has shifted.

The regulations governing the ability of PAs to own an ownership interest in a practice differ from state to state because state statutes govern who can and cannot form professional corporations. While the physician remains the clinical leader of the physician-PA team, some PAs have become owners or shareholders of practices. PAs would need to seek legal guidance to properly incorporate their business in the state they are licensed. Medicare policy allows a PA to have up to a 99 percent ownership interest in a state-approved corporate entity. The remaining one percent ownership share must be owned by a person or entity deemed appropriate by the Medicare program.

Weih’s practice partner is Alexander Morley, MD. Board certified in emergency medicine and family medicine, he visits Five Rivers Family Practice once a month to review cases.

Weih values the insights the physician has given him on complex cases and how to better protect the practice from the best practices.

“It’s important that you have a good physician who was engaged and acted as a peer reviewer,” the PA said.

Developing a Business Plan

Before jumping into the practice-owning pool with both feet, Weih talked to his family. His sister-in-law with an MBA helped him that the first thing he needed to do was write up a business plan. After doing some research, he wrote one up and reviewed it. That’s when he learned about undercapitalization, which refers to any situation where a business does not have enough funds to cover operating expenses. Undercapitalization is among the five most common mistakes made by businesses, according to Forbes magazine.

Weih thought he had covered all his bases in 1996 when he opened his doors; he had taken out a loan for $85,000 and thought it would tide his practice over if it ran into any problem, such as the time his regular office manager needed time off and he hired a temporary office manager to fill her place. The temporary office manager misrepresents medical coding abilities and lost a large sum in payments anywhere from $5,000 to $25,000. (The payments were recovered.) It was a hard and very expensive lesson to learn but it helped make him a better practice owner.

He agrees with the PPC that developing a business plan is the step on which all other steps to practice ownership...
Several factors need to be considered to be successful in a medical practice, including practice location, understanding cash flow, access to capital, obtaining credit and knowledge of reimbursement and third-party payment policies. Designing the initial corporate structure requires careful thought and planning with a lawyer and CPA familiar with medical practice operations to delineate tax implications for the owners.

The business plan outlines the steps and challenges that the business owners will address in the various phases of creating the evolving practice setting. There are many resources that PAs can turn to in developing a business plan. Several factors need to be considered to be successful in a medical practice. Location is probably the most critical business decision anyone can make. Often a provider will want to open in a highly populated area, failing to take into consideration the presence of other practices. Finding a place where medical services are needed or access to care is limited is a critical factor in successfully locating the business.

**Finances and Funding**

Financing a business is more than just finding and leasing an open building, purchasing equipment and furniture, hiring office staff and opening for business. PAs who start a business will need to plan and prepare where they will find or obtain financial support. Remember that borrowing money will require equity. Most commercial lenders will require the practice owner to personally guarantee any loan—and that means that most practice owners guarantee their business loans with their biggest asset, which is usually their home. PAs looking to own a practice should consider making that sacrifice.

In these financially strapped times, most financial institutions will want to know just what the provider plans include, such as competitors, revenue projections and loan repayment. This again calls for a good solid business plan. This is where the PA should sit down and do a “strengths, weaknesses, opportunities and threats” (SWOT) analysis. The presentation of the business plan should need to show what makes this business stronger or more appealing than other similar businesses in the area. Your plan is more compelling when you show what makes your practice unique. Lenders will want to know how you plan to spend the money they’re loaning you and how much you need to open the doors.

Lenders and potential investors also want to know how much equipment, purchased or leased, will be needed. Collateral and personal guarantees may also be required here. The collateral must be something tangible or that has resale in the event the loan goes into default; an uncommon but not unheard of event for some medical businesses. Lenders want to know that they can recoup their loan should the business not succeed.

Weil suggests looking into local, state and federal loan programs for small businesses. He qualified for a start-up loan from the Lane County of Governments (LCOG) Loan Program. The agency offers loans at an attractive rate of interest, with higher loan-to-value that gives the new business owner easier access to capital. The start-up loan for $85,000 kept his practice afloat in the early years.

“I couldn’t have done it without them stepping up to do it,” he said of LCOG. “They gave me a relatively cheap loan at that time when banks wouldn’t.”

**Looking Back, Moving Forward**

According to Weil, overseeing the finances and managing clinical staff are the two biggest challenges of practice ownership. If he knew then what he knows now about the job, he would have taken some classes in business management and accounting. In the early years, he was unprepared for some of the difficulties that go along with being your own boss, such as dealing with third-party payers. His medical education may have prepared him to do a surgical assist, but didn’t help him when it came to tackling cash flow or employee issues.

“Just getting and maintaining a staff is hard,” he said. “And in a small town, it may be harder than it is in a big city. Then there are always the financial issues. That’s not a terrible burden now because financially the practice is doing well. I’m very careful about that because I saw what happened to the other two clinics. I’ve had to learn on the fly—the administrative and business owner side.”

But the benefits of practice ownership far outweigh the problems for Weil. For him, it’s about the patients, not the money.

“I’m willing to work for what a guy with an MD isn’t,” he said. “There’s nobody in town except me now. This is what PAs were designed to be. This is what Eugene A. Stead Jr. wanted. This is what we should be doing. We are very cost-effective. We do 90 percent of what a physician does and better. We are following our mandate from Stead—the guys who are out there in the country are following his vision. Now we have found our niche in cardiology and ortho, in fact all specialties, and that’s a good place for us too but some of us are stuck in the 60s. I don’t have my ponytail anymore but I’m still a child of the 60s.”

And he’s where patients need him to be.

**More to Come**

Physician assistants across the country have begun to explore clinic or practice ownership. Many have been extremely successful. Careful planning and patience could add you to that list. Failure to follow the initial setup and financial planning processes will severely hinder your chances for success.

This is one in a series of PA Professional Articles by AAPA’s Professional Practice Commission. The next article will address PA reimbursement and finances. It will cover the basics of financial management, revenue cycle management, government and third-party payer reimbursement and corporate taxes.

Additional articles will include information about complying with state and federal regulations, HIPAA requirements, organizing, managing and hiring support staff, and marketing the medical practice. For more information on PA practice ownership, go to http://bit.ly/zsmQ7y, PA

JANETTE RODRIGUES, AAPA managing editor of publications, contributed to this report.