



## How to launch your first healthcare practice

Now that medical school is behind you and you're ready to begin your career, starting your own practice may look appealing. And there's good reason for that.

Startups in the health and education industry are known to have an approximate [56% success rate](#) - the highest of any industry. Not only does [running your own practice](#) offer doctors freedom to make their own choices, it often comes with a solid paycheque.

Even so, [starting a healthcare practice](#) is a complicated, lengthy process with many hurdles. You'll have to make decisions about tax implications, corporate structure, and even succession planning early on.

Here's what you need to know before starting your own practice.

### How to hire the right team

When starting any business, the first people to turn to are usually lawyers and accountants. Because healthcare involves unique restrictions and expectations, it's vital to hire experts in this field.

### What to expect from a lawyer:

When hiring a medical lawyer, keep in mind that they'll be helping you with a variety of tasks, including acquiring necessary permissions, filling out documents and setting important processes in place.

Like your accountant, the ideal law firm is large enough to have experience in a variety of legal fields while allowing for one-on-one support.

Remember that your lawyer will do more than just help you start your practice. They'll also handle any lawsuits, help you file trademarks or patents, help with real estate negotiations, write up contracts for employees and patients and more. While not all lawyers can handle every aspect of the medical profession, your lawyer should be able to do the following:

- Draw up and review contracts. You'll require a variety of contracts (for patients, employees, suppliers, etc.) and will need someone who can explain the process to you.
- Understand real estate law. Opening a practice comes with many real estate decisions. You'll want someone to help you navigate commercial real estate leases, which are often complicated and rarely benefit you over the landlord.
- Know what licenses and taxes you'll need to register for. Yes, your accountant will definitely help with this, but your lawyer is the one helping you register your business and acquiring your tax identification numbers. You'll also want to consult your lawyer when registering for the College of Physicians and Surgeons of Canada (CPSO).

### Legal support

If you're not quite ready to hire your own lawyer, provincial medical associations often offer legal services. The Ontario Medical Association will help physicians review contracts, for example. You can also find sample hiring agreements, cost-sharing agreements, and more. Through this service, you can also get advice on Personal Health Information Protection Act (PHIPA) compliance and issues related to the Regulated Health Professions Act.



### What to expect from an accountant

Every medical practice is different and every healthcare practitioner has unique needs. The [ideal accounting firm](#) will be large enough to have a diverse team of experts but still able to give you one-on-one attention.

Your accounting firm will help you make difficult decisions like how to structure your business, so they should understand corporate structure (like sole proprietorship compared with incorporation) as well as succession planning and cross-border/international taxes.

### The Ideal Accounting Firm

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## Deciding on corporate structure

As a physician, you've probably considered what kind of practice you'd like to open, but you may not have given the same amount of thought to your corporate structure. How you structure your business is a crucial decision that will impact your practice's long-term success.

Here are your [options](#), along with some pros and cons:

### Sole proprietorship:

This is the simplest option with the least amount of cost or paperwork to set up. A sole proprietorship means a business you've started yourself. In this case, you don't have to register your business with Corporations Canada and will pay personal income tax on the net income you make. While the simplicity of this process is definitely a benefit, there are some risks. As the sole proprietor, you will be assuming all the risks of running a business. This means that any lawsuits will affect your personal assets.

### Partnership:

This is similar to a sole proprietorship but, as the name suggests, it pertains to a business partnership between two or more partners. While you're still exposed to limited personal risk, it's now shared between you and your partner(s), as are your earnings. Unlike a sole proprietorship, you'll likely sign a contract explaining each partner's rights and obligations.

### Corporation:

Incorporating your business is a complicated, sometimes lengthy process. Paperwork will be involved and you'll likely have to get both your financial team and lawyer involved, which can get expensive.

Still, incorporation comes with a big benefit: you'll be separate from your business. This means your personal assets won't be at risk. Instead, the business - not the individual - will be liable if there are any legal issues. Corporations also come with certain tax benefits, which we'll discuss later.

If you do decide to incorporate, you'll have to inform the [CPSO](#).

## Tax considerations

Another reason some healthcare businesses choose to incorporate is the accompanying tax benefits. As a doctor with your own clinic or practice, you'll most likely be at the top end of the wage scale, meaning your tax rate will be significant. When you incorporate, you become a shareholder and your assets are now owned by the corporation, which is taxed at a lower rate than personal income tax.

Incorporation also allows family members to get involved in the practice as shareholders, which has financial benefits. Before incorporating, it's important to consult with your financial team to ensure this is the best step for your business.



## Buying a clinic versus starting your own

Along with deciding on your corporate structure, you'll also have to decide early on whether you'd like to buy an existing practice or start a new one. Both options come with unique challenges and benefits, so be sure to consult with your financial and legal team before settling on an option.

### Buying a clinic:

The biggest benefit of purchasing an existing clinic is that everything is already established for you, including the business model, a client base, and your staff. When buying a clinic, you'll likely start making a profit from day one without the hassle of slowly attracting new patients.

On the down side, buying an established clinic means you'll have less control over how your business is run. Customers will expect a certain level of service, meaning it's harder to make significant changes to operations, fees, and services.

When buying a clinic, it's important that your team is extremely thorough during the purchasing process. Otherwise, you may be stuck facing hidden liabilities and issues you weren't aware of, such as unfavourable employment contracts or leases.

Keep in mind that some established clinics may have a poor resale value in the long term, especially if the local zoning regulations limit expansion.

Always have your lawyer carefully review any and all contracts before a sale.

### Starting a practice

While starting your own practice often requires more work and difficult decision making, it also grants you the freedom to run your clinic however you'd like. Not only can you set your own standards and processes, you're also free to decide on how you'd like to handle scheduling, billing and staffing.

Keep in mind that starting a practice is likely to be the pricier and more time-consuming choice. Starting from the ground up means you'll have to go through the hiring process, deal with setting up your IT systems, manage the practice on your own, and figure out your payment policies. You'll also have to ensure your practice meets compliance standards and deal with real estate decisions like whether to buy or rent a property.

Whether you're buying a practice or starting your own, it's vital to ensure your clinic has a solid accounting system and reliable employee management. That way, you'll be able to focus on your clients rather than payroll or scheduling.



## Handling your financing and writing a business plan

Finding the right financing for your startup healthcare business can be tricky, which is why it's essential to review your options with your accounting team. As a startup, you have a variety of ways to raise money, including:

- **Bootstrapping/Friends and Family funding.** When you finance the business with your own funds or borrow from friends and family.
- **Governmental/Institutional grants.** Discuss this with your finance team. Startups are often eligible for a variety of grants.
- **Non-dilutive financing.** When you fund a company without giving up equity. Organizations like BDC offer non-dilutive loans, though terms and conditions may apply.
- **Dilutive/Equity financing.** When you get funding from an investor in exchange for equity in your company.
- **Debt funding.** When you take out an interest-bearing loan from a financial organization, like a bank.

Regardless of your financing method, you'll likely be required to create a business plan entailing your long-term goals and cash flow potential. Get your accountant involved early in this process, since they'll be able to help you create a budget and figure out your estimated cash flow for the first year.

### Your business plan should include:



**Financial information** like projected cash flow, which should contain your income, expenses and projected revenue.



**A detailed description of your business,** including your services, client-base, whether you'll be running a franchise, type of clinic (ie: urgent care, pediatric), etc.



**Your marketing strategy.** It's important to know your competitors, your targeted clients and demographic statistics about the region you'll be setting up your practice. Include details like how you're connected to the medical community and if you intend on getting referrals.



**Your organizational and management plan.** You can include the software programs you'll be using for billing or charting, the systems you intend on implementing, and how you'll deal with insurance/receive payment.

## Why you need to think about succession planning

It may seem counterintuitive to start thinking about handing over a clinic you haven't launched yet, but [succession planning](#) is actually a vital part of any long-term business plan. Whether you'd like to hand your practice over to your family some day or plan on selling to a third party, every decision comes with its own unique tax and financial implications.

Because finding a successor is an ongoing process, you'll likely revisit your plan multiple times during your career. It's important to work with a financial advisor to develop a plan that works best for your business's long-term needs. The benefits of working with an advisor during the succession planning process include:

- **Ensuring emotional stability.** Succession planning can be an emotional time, especially if family is involved. It's often best to have an impartial party help advise you.
- **Tax advice.** An expert can ensure your succession plan benefits you tax-wise by establishing a system that sets your successor up for financial success.
- **Guidance during a sale.** If you're not planning on keeping your clinic in the family, your advisor can help ensure any sale works in your favour.

## A smooth process for a fledging business

Opening your own practice is both an exciting and complicated venture. A trusted team of legal and financial experts will help you navigate difficult decisions like creating a corporate structure, deciding whether to buy a clinic or open one yourself, choosing the right financing options and succession planning. At Zeifmans, our team of experts have helped many healthcare businesses from their startup phases and beyond. [Reach out to us](#) for help launching your clinic.



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