



# Setting up a Private Practice



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# Introduction

After years of dedicated clinical training, you're a specialist in your field and you're looking for the next challenge. Making the move to private practice is an exciting time in your career and there are many benefits in becoming your own boss. Self-employment means choosing your own hours of work, as well as the chance to structure and manage your own practice.

However, being an excellent medical professional doesn't guarantee success as a private practitioner. Before taking the plunge there's a lot to plan and consider. Thankfully, just as you have invested time in cultivating the knowledge required by your specialty, others have spent years gathering the skills needed to help you build your practice. They are there to help you avoid any potential pitfalls along the way.



As a private practitioner, you're stepping beyond solely being a medical professional.

Instead, you're moving into the business world and with that comes different responsibilities and obligations.

In making the move to private practice, you:

- Step away from the relative security of being employed by a hospital.
- Become self-employed.
- Gain independence.
- Have the chance to develop long-term relationships with your patients.
- Move into a role that mixes medical and business administrative duties.
- Take on more responsibilities, costs, and liabilities.

## Change in responsibilities

Moving into private practice, it's important to understand how your obligations change as well as being aware of the benefits. Your responsibilities will grow to include areas such as:

- Legally setting up your new practice.
- Meeting tax requirements.
- Handling the financials.
- Meeting the legal requirements for operating a business.
- Collecting patient payments.
- Navigating contractor and business structure agreements.
- Hiring and managing staff.
- Marketing your practice.



The sudden change in responsibilities presents new challenges for you and requires a big shift in how you approach work.

This ebook is designed to help you navigate this new terrain. It will guide you through some of the basics you need to consider before the big move so that you lay the right foundations to enable your private practice to grow into a successful business.

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# Entering Private Practice

## Working in an existing private practice

The simplest way to enter private practice is contracting yourself out to one that's already established. This will make you a sole trader for tax purposes. Things you should consider when looking at this option are:

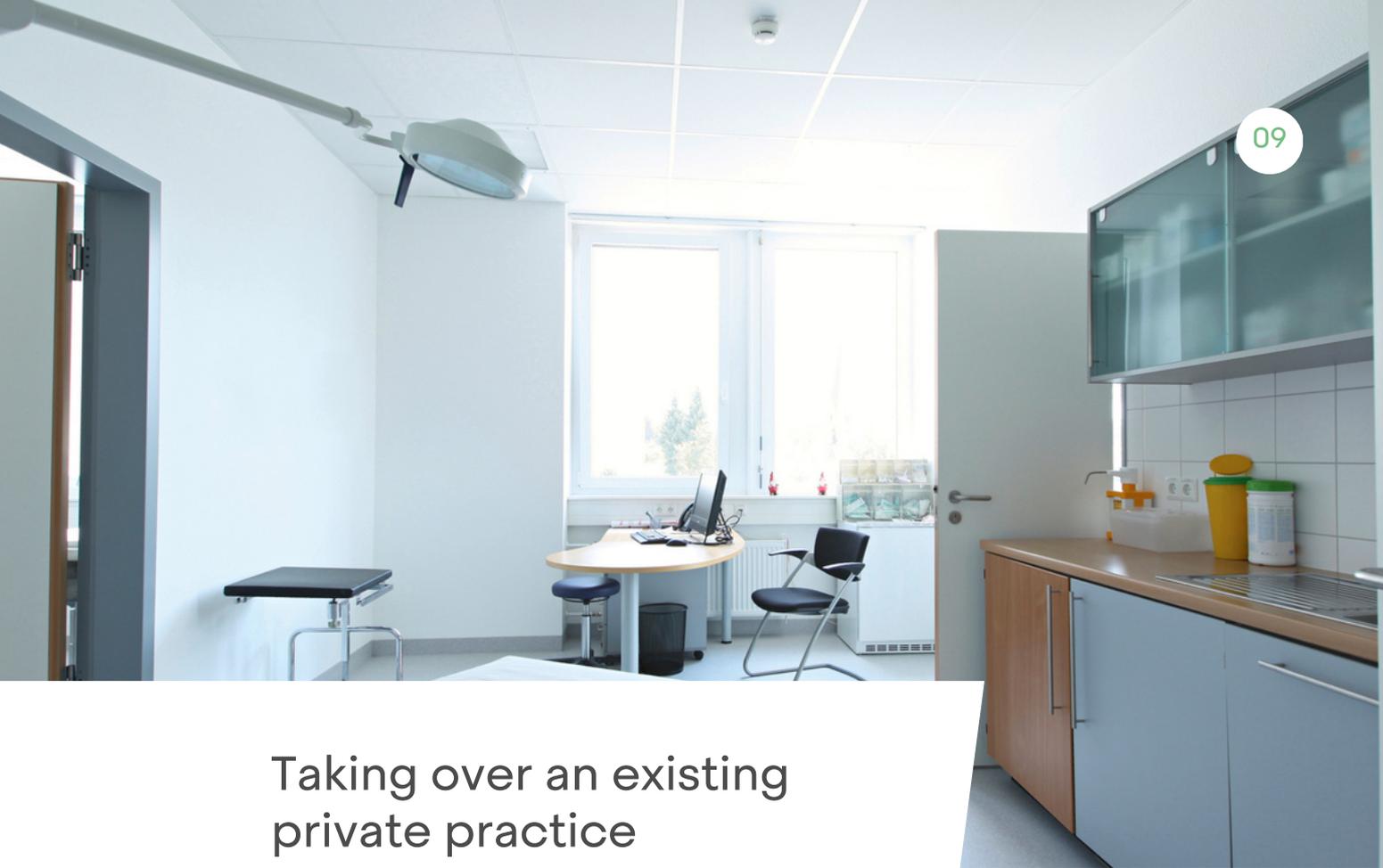
- As a contractor you will have less responsibility than an owner
- You will still be personally liable for all clinical services you perform at the practice.
- Ordinarily the practice will take a percentage of your gross billings as a service fee. This covers your share of the practice's running cost.
- As a sole trader, you'll have tax responsibilities, such as registering for an ABN and GST.

## Buying in to an existing practice

Joining an existing practice is another way to become a private practitioner.

Here are a few steps to consider:

- 01** Consider working for them as a contractor first. This allows you to see if the practice is a good fit for you. If you can, try to confirm and document that you have the option to buy in at a later date.
- 02** Perform detailed due diligence, including an examination of how the practice is set up. A variety of structures are used, and each have their own pros and cons.
- 03** When proceeding with the buy-in, have a lawyer review the agreements.
- 04** Choose a lawyer that knows the industry well. They will know what to look out for and how to best protect your interests.



## Taking over an existing private practice

Occasionally, an opportunity will arise to take over an existing practice, where the previous owners are leaving.

Understanding and limiting any historical liability associated with the business is critical. In most cases, you won't buy the underlying legal structure (i.e. units in a unit trust). Instead, you'll generally purchase the goodwill and assets of the business.

Again, working within the practice before making a decision is a good idea if possible. This will allow you to understand how the business runs and how much goodwill is linked to the current owners.

## Starting your own private practice

The most challenging option for entering private practice is starting your own. Often medical professionals will only consider this when they've already had experience as a private practitioner.

To start a new practice, things you may need to do include:

- Find a location.
- Secure finance for the premise and set up costs.
- Design and fit out your practice.
- Employ staff.
- Build a new patient base.

## Laying the Foundations

Each option for entering private practice comes with different requirements and can change the structures and agreements used.

Commonly, private practices are set up by separating the medical and administrative aspects of the business. The medical services are performed by each owner acting as a sole practitioner conducting their independent medical practice, while the administrative aspects are performed by a separate entity. This is often referred to as a service entity, and it manages items such as employing staff, leasing rooms, purchasing equipment and billing clients.

A range of agreements are required when setting up a private practice with this structure and may include:

→ **Service agreement**

Outlines the arrangement between the service entity and the practitioners. Under these arrangements, the service entity provides the practitioners with all services required to conduct their medical practice, and the practitioners pay a service fee in return.

→ **Equityholder agreement**

Documents the rights and obligations of the various parties involved with the service entity. Depending on the legal structure this agreement sets out the rights and obligations of the shareholders, directors and unitholders. Key decisions and events, such as future admission to the service entity, are also included within the document.

→ **Associate agreement**

Documents the arrangements between the practitioners conducting their independent practices at the premises. The agreement specifically outlines the fact that practitioners are associates, not partners. The agreement also documents arrangements in terms of holidays, coverage during periods of absence and illness etc.

→ **Employment agreements/contracts**

For the hiring of staff such as medical receptionists or practice managers.

## Superannuation changes – Planning for the future

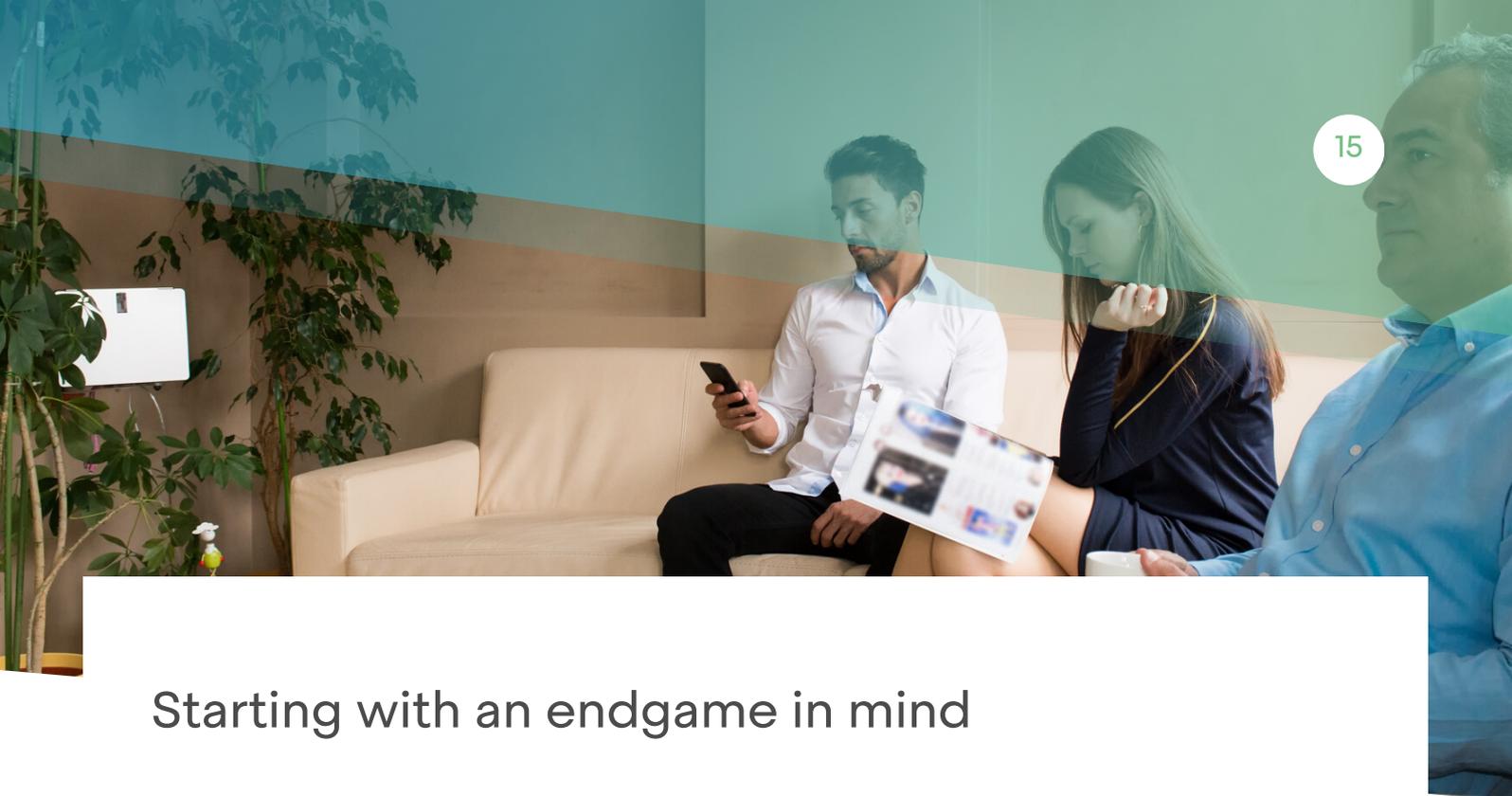
Superannuation is often an afterthought in terms of private practice. While working in the public hospital system, your employer typically pays 10.5% superannuation on your salary (and other income depending on your contract) into default Industry Fund providers so there is not too much to think about.

However once you commence private practice, the obligation to make superannuation contributions fall on you as the medical specialist and business owner. Getting the right advice at the right time could make a big difference to the running of your practice and your overall wealth position over the longer term.

## Key questions to ask when thinking about superannuation payments for private practice are:

- How much should I put into superannuation?
- Do I still receive some public income whereby I continue to receive superannuation contributions?
- Should I make contributions on behalf of my spouse if they are earning a lower income?
- I employ staff, what are my superannuation obligations?
- Should I review my superannuation fund against the broader market?
- Am I thinking about purchasing rooms? Should I review my superannuation fund in light of my needs, goals and objectives - how do I make my benefit work for me?

A medical financial adviser will be able to talk you through any questions you have and give you a plan for making the most of your superannuation for the future.



## Starting with an endgame in mind

Thinking about exit strategies when entering private practice may feel odd, but it's an essential part of the process. Settling these details early on may help prevent your practice being thrown off-kilter by an unexpected event.

- An exit strategy is meant to maximise the benefit/value of your interest in the private practice. It should reflect what you've invested into it.
- Map out possible scenarios with your lawyer and ensure each are covered in your agreements.
- An established practice will already have exit strategies in place. Review these thoroughly before buying in.

## Finding the right location

Location is a crucial aspect of a private practice. Where you're located affects patient demographics, competition and costs.

Before joining an established practice or choosing a place for your own, ensure you consider the area closely.

Will it provide you with what you need for long-term success?

Here are some of the features of the location and building that you want for a practice:

- Visibility.
- Capable of expansion.
- Minimal town planning issues, such as car parking restrictions.
- Adaptability of the buildings.
- A single-story building for ease of access.
- Good disabled access.
- Sufficient car parking and accessible by public transport.
- Low maintenance - having work done on the building or grounds is both disruptive and expensive.
- A growing customer base.
- Low competition.
- Presence of complementary health services or potential referrers.



## Renting vs. Buying

Your personal situation and circumstances will determine whether you choose to buy or rent your rooms when setting up a new practice.

However, making the most of your decision requires you to know what to look out for.

## Renting

Renting can provide you with more flexibility when you first start out. However, there are a few things to think about when looking for rooms to rent.

- Rent is often increased for medical professionals. Consider using someone independent such as property advocate to look on your behalf.
- Use a commercial lawyer with experience in the medical sector when reviewing a lease agreement. They will know what pitfalls to avoid and ensure there are no limitations that might impinge on your ability to practice.
- You'll likely need to provide personal guarantees, even if your service entity is entering the lease as the tenant. This creates significant personal exposure.
- Build first right of refusal into the lease agreement. Should the landlord decide to sell, having the option to buy prevents the stress of potentially losing your location and the goodwill associated with it.

## Buying

You'll likely need to secure finance when purchasing a property. Remember to factor in the fit out and equipment costs as well.

Here are a few important pointers to keep in mind when buying:

- Know what you can afford. If you need help, consult with an accountant and lending adviser familiar with the medical profession.
- Figure out the best way to structure the loans, for personal security and tax purposes.
- Decide how you'll purchase the property. Will you buy it under your name or through an entity?
- Review the contract of sale and vendor sale. Check for any limitations in terms of your plans for the property. You may find a lawyer useful for this.
- If you're working with any consultants ensure they collaborate. This will help you determine the right purchasing structure.



## Tips for obtaining a loan for your practice:

- Your personal living expenses will be closely examined. In the months leading up to your application, ensure they're structured to represent you well.
- Tidy up your finances to look as promising as possible.
- Make sure you have positive credit reporting.
- Understand the business expenses and service fees for your private practice. The lender will look at these as well.
- The lending process takes time. Until the loan is approved don't commit to anything.

## Operating your Practice

Once you know where your practice will be based, there are a number of things you'll need to organise and consider before you can start operating your private practice.

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You will need:

- A medicare provider number.  
Each location you operate in requires a separate number.
- To check the requirements of the State or Territory you're in.  
You might need other registrations or licences.

# Technology

Running a private practice in the digital age makes having the right technology essential. Implementing it from the beginning allows you to get off to a strong start, and saves you time and energy in the long run.

The right technology allows you to:

- Schedule patient appointments.
- Deal with invoices.
- Keep track of finances.
- Manage payments.
- Create the option for online consultations.

Choosing the right systems is important for you and your patients' experience. Look for ease-of-use, and consider cloud-based software when possible. Working in the cloud is particularly useful for accounting and practice management software, which are both essential for a practice.

You will want to consider using each of the following types of software:

- Accounting software.
- Practice management software.
- Cloud-based data storage.
- Dictation software.
- Electronic Claim Lodgement and Information Processing Service Environment (ECLIPSE).
- MIMS.

# Recruiting and Employing Staff

Hiring and managing staff is one of the biggest changes you'll experience when moving into private practice. As an employer, you take on many new and unique obligations. Navigating your change in responsibilities carefully is essential as they are monitored by Fair Work Australia and enshrined in the Federal Legislation and Modern Awards.

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You will need to:

- Draw up and enter into employment agreements.
- Pay salaries and tax.
- Manage superannuation payments.
- Understand how to manage an underperforming employee, as well as your obligations if it becomes necessary to terminate an employee's employment.

## Getting the right people

Building the right team gives your practice a solid foundation. Spend time on the hiring process and understand the roles you're trying to fill. For some practices, a practice manager may be essential for the long-term success of your business.

This is a role that includes:

- Managing the business side of the practice.
- Organising meetings.
- Growing revenue.
- Finding ways to reduce expenses.
- Building and maintaining an industry network.

Be prepared to offer more in salary to get the right people on board - sometimes it is worth it to secure an employee who is the right fit for your practice and brings with them the necessary skills.



## Protecting your Business & your Livelihood

With so many things to consider when entering private practice, you might forget to think about the risks involved and how to manage them. That's why it's so important to get personalised insurance advice before you start seeing patients.

A medical financial adviser can talk you through all the things that could go wrong and discuss how to mitigate each of these risks to ensure that you and your practice are adequately protected.

Insurance types you should review and/or consider adding to your portfolio before moving into private practice include:

## Personal insurance

- Income protection insurance.
- Life insurance.
- Trauma insurance.
- Total and permanent disability insurance.

## Business insurance

- Business expense insurance.
- Practice indemnity insurance.
- Life insurance - for business partnerships.
- Management liability insurance.
- Network security and privacy insurance.

# Marketing & Growing your Practice

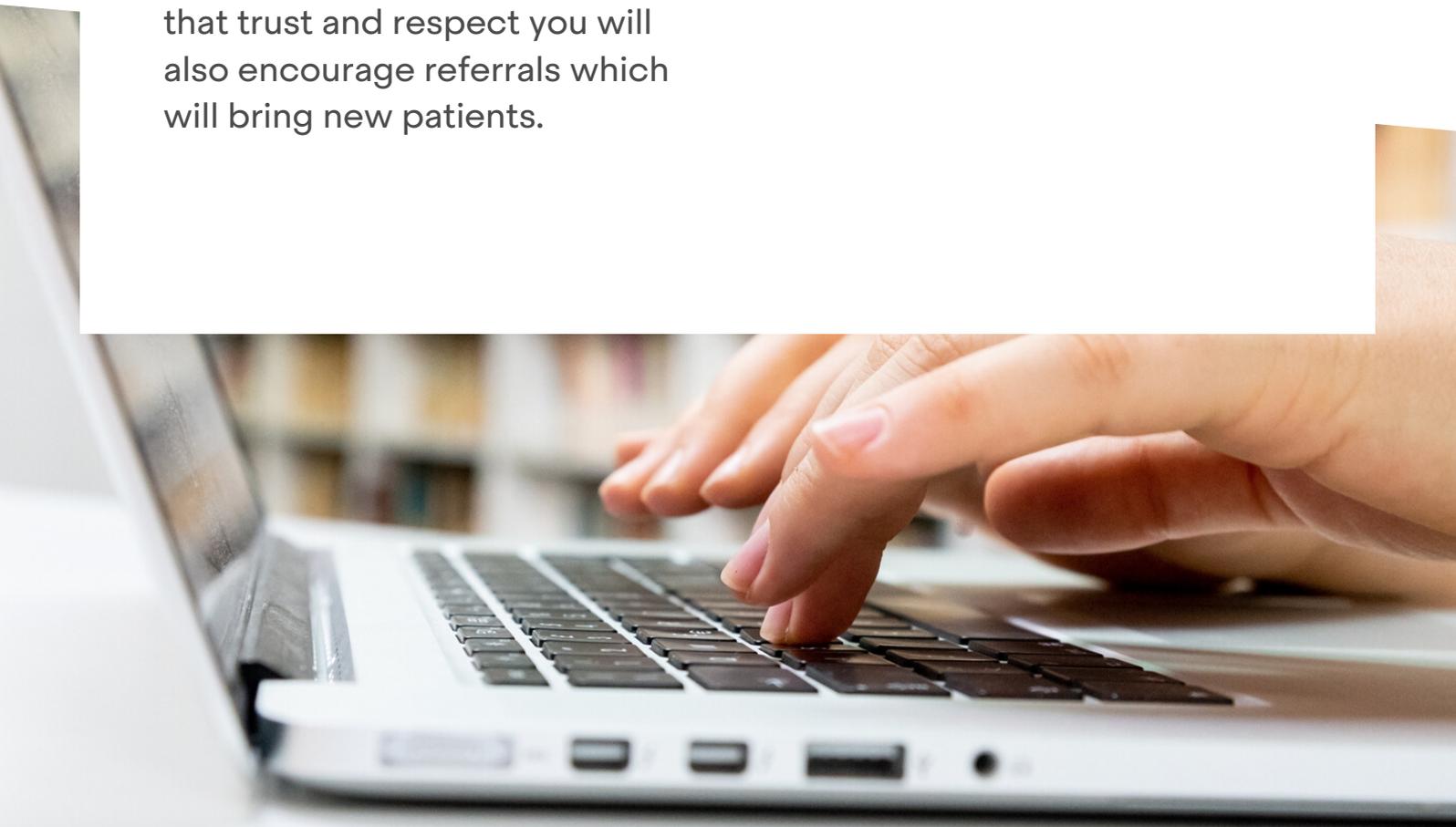
## Professional networking

Building networks and growing a referral base should begin before you move into private practice.

Being part of a strong medical community will present opportunities. Having general practitioners and/or physicians that trust and respect you will also encourage referrals which will bring new patients.

## Branding

Branding helps you attract the right patients to your practice. It illustrates the type of business you are and helps you build and establish trust.



You should develop a brand for your private practice while setting it up. To do this consider:

- Your ideal patient profile.
- Consider registering a trademark or logo for your practice. If managed properly it can generate value for the business
- Secure a website domain for your practice, and match the domain name to your business name.
- Consider sustainability to help build a positive image for your practice. With social enterprises on the rise, patients are likely to respond well to a practice that shows it cares.
- What makes your private practice different? Know your story and persona.
- The name of your practice. Confirm it's available and unique. Check the ASIC business registry as well as searching for it on Google.
- Website design and content. The colour scheme and appearance should align with your practice to cement your image. Use content to develop the story behind the branding.
- Design. The colours, decor, and amenities within your practice all add to your branding.

## Social media

An online presence is becoming essential for marketing and growth. However, don't spread yourself too thin.

If you decide to use social media, focus on one or two channels and use them to develop the voice of your brand.

Creating a blog and sharing useful articles is another good way to attract attention and build trust and goodwill.



## Conclusion

Moving into private practice might be a big change, but it can be an extremely rewarding one. By investing in the right preparation and support, it's possible to navigate the process with relative ease and build a successful private practice.

DPM has over 50 years' experience assisting medical professionals at every step of their journey.

We know the industry inside and out, offering our clients all-round support. Our aim is to provide a fully integrated solution and use our knowledge to help your practice succeed.

# The Private Practice Checklist

- ✓ Find the right location.
- ✓ Make sure you're financially prepared.
- ✓ Lay the foundations with the right agreements and practice structure.
- ✓ Protect yourself, professionally and personally.
- ✓ Understand your obligations as an employer and know who you'll need in your practice.
- ✓ Income protection insurance.
- ✓ Invest in the right support for the journey.
- ✓ Ensure you're tax compliant.
- ✓ Get the right tools for operating your private practice.
- ✓ Ensure you have the right team of financial specialists to support you throughout the journey, so that you can focus more time on what you do best.

To find out more about DPM and how we can help you with your journey into private practice, call [1800 517 332](tel:1800517332) or visit [dpm.com.au](http://dpm.com.au) to book a no obligation initial consultation.

For more articles and resources for medical professionals, visit the [DPM Knowledge Centre](#)



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