



# Crafting a Business Plan

A detailed business plan is key to practice success.

You've completed medical school, internship and residency, and possibly even worked as an associate at an established medical practice. Now your dream of opening your first practice is within reach. But where do you start?

A solid business plan is an integral part of any entrepreneurial venture. If you plan to borrow money or attract investors, a business plan is essential. If you are self-funded, a business plan functions as a roadmap that will help you determine where you are going, how you will get there, and once you arrive, how you are going to stay solvent and keep growing.

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A physician who is launching a new practice typically creates a business plan. But they are also helpful tools that can be used to improve operations in a struggling practice or to help ensure the successful launch of a new procedure or satellite office.

Following, we highlight the key components of a practice business plan.

**Operational Plan:** The operational plan is an essential component of the business plan. It defines the structure of the new business and outlines how the practice will be organized and managed. The operational plan tells the lenders and investors how you will create your product and deliver it to the consumer.

The operational plan includes details such as where your business will be located, your timeline and operational costs, vendors and quality control measures. In short, this section explains how you will take your practice from concept to reality. This section should also include your mission statement, which spells out your unique identity and goals as a medical provider.

Those who review business plans know the importance of a well-thought-out operational plan and place considerable weight on this section, since it can signal the success or failure of a business. This document will also give the entrepreneur an opportunity to work out potential problems on paper prior to commencing operations, acting as a guidebook on quality control, inventory management and purchasing procedures.

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**✓ Financial Plan:** The purpose of the financial plan is to demonstrate to yourself, and your potential lenders and investors that your business is economically feasible. This section includes a summary of start-up costs, personnel wages and salaries, revenue projections, cash flow statement, break-even analysis, balance sheet and appendix for the practice's first year financials.

In addition to working with a CPA, there are several resources available to help entrepreneurs create their financial plans, including online industry financial benchmark reports (bizstats.com) and business consulting firms. These resources can provide guidance on personnel salaries as well as cost estimates and cost ratios for all aspects of practice operations.

**✓ Purchasing Plan:** When it comes time to purchase supplies and equipment for your new venture, you must have a plan in place for expenditures. These include the cost of initial inventory, equipment and supplies that you will need in place prior to opening your practice. These costs, combined with your initial build-out, will likely be your most expensive financial undertaking, so do it right the first time. Develop a strategy for purchasing what is really needed for your initial launch vs. what you want to offer in the long-term. Ensure that you are financially sound for what is required, and set up a strategic purchasing plan to begin your negotiation process with vendors.



Your operational plan details the management structure of your new practice or business venture.



The financial plan can help new practices maintain a healthy cost ratio at launch and throughout the life of the business.

**✓ Organizational Effectiveness:** This section spells out how and why your practice will be effective in catering to your market base. Here you want to include the names and background experience of all key personnel as well as detailed job descriptions and protocols for all positions that will be filled. If you are entering into a partnership, the details of your partnership agreement should be included here as well. Don't ever be afraid to count on your advisors, such as your attorney and accountant, for additional information, which may include organizational charts, disaster planning and the protocols you have developed to honor all regulatory concerns relating to your practice.

**✓ Marketing:** Marketing is an essential component and expenditure for any new business entity. Here you will provide a detailed marketing plan for your practice. When compiling the marketing section, be sure to include all of your products and service offerings, the cost to the consumer, your target consumer base, and how and where you plan to promote and position these products and services to attract that base.

Once your plan has been created, it must be reviewed and then reviewed again. The more input you get along the way, the better. Seeking the advice of consultants who specialize in medical practices and practice management will give you a competitive advantage. These professionals have seen the successes and failures of other practices and can provide valuable insight into what works, and help you identify potential pitfalls or weaknesses in your business plan. If your practice is already established, but not performing as you would like, formulating a new business plan can be instrumental in helping you rein in costs and reset a path to practice success. **ME**

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