

# Building A Medical Practice:

## What you need to know



Many general practitioners are keen to build their practice from the ground up, taking the opportunity to control every detail as the practice grows. This option may also be cheaper than buying an existing practice where the patient list and 'good will' can be costly to purchase. If you decide to go out on your own the key is to be prepared and understand the risks and costs associated with the process. From our years of experience, Grimsey have pulled together our top tips for building a new GP practice to help you weigh up if this is the right option for you.

### **1. Understand the costs**

Recent data collected on the how much it costs to set up a new medical practice suggests that throughout Australia the numbers are incredibly varied. In regional areas starting from scratch could cost as little as \$300,000 for a fit-out, however somewhere along the lines of \$100,000 is probably more realistic. In metropolitan areas, the ballpark is somewhere closer to \$200,000 rising to as much as \$500,00 in more affluent areas.

### **2. Cash Flow issues**

As there won't be an established patient base, cash flow issues can be a concern while the business is being built up. Bringing other GP's on board to help with the expenses early on can be a solution. Contracting doctors pay about 30% of their income to the practice owner to cover administration, staffing and other costs. Economically it makes sense to have an additional four or five doctors working in the new practice but it can take time to find GP's that fit the culture and have the skillset you are looking for.

### **3. Know your market**

Making sure to look at the surrounding area and its amenities is extremely important. If the area has too many other practices early success will be limited as much of the neighbourhood will already have ties to the established practitioners. Also, take into consideration the infrastructure – what options are there for parking and public transport? If patients are not able to easily access the premises they won't visit. The addition of other specialists to work within the practice may help entice patients to the clinic. Massage, Osteopathy or a pathology collection centre may be needed for the area. Getting to know the intricacies of the surrounding suburbs and what is needed will help grow the business quickly.

### **4. Loan structure is key**

Often, lenders who deal with medical professionals will offer a monthly loan structure which starts low and then rises in line with increased cash flow. This is where it is important for

practitioners to consult a financial specialist who has a thorough understanding of the medical industry – they will be able to advise doctors of all these factors and design a strategy based around setting them up for the future.

## **5. Find a Financial Specialist**

Including a financial specialist right from the beginning will open up many possibilities that may not have otherwise been considered. Finance experts will realistically estimate the full cost of turning the premises into a medical practice, taking into account factors such as technology and medical equipment. Obviously location is going to be key when purchasing or renting a property and advice on structuring the loans for this purpose will be important. Commercial property should be considered as it may enable access to 100 per cent finance. Commercial spaces also have the advantage of allowing the proprietor to purchase in a personal name and then rent the property to the company or practice, a structuring option which will assist with cash flow right from the beginning. Your financial specialist will understand all these details and can help you plan what will work best for you.

The Grimsey team of financial experts has been working with medical and dental professionals for over 30 years so we understand how your industry works. Talk to us today about how we can help you build your financial future. Call our office on **(03) 8341 8888**.